

SUMMARY OF PROCEEDINGS

BOARD OF RETIREMENT – COUNTY OF KERN

1115 Truxtun Avenue
Bakersfield, California

Investment Board Meeting
Wednesday January 13, 2010

8:31 a.m.

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

Roll Call: Barnes, Briggs, Denney, Frapwell, Chairman Hughes, Jefferson, Maggard, Mainland, Ratekin, Alternate Franey, Alternate Kaufman

Absent: Alternate Studer

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. Election of Chairman and Vice Chairman for the year ending December 2010 – ELECT CHAIRMAN AND VICE CHAIRMAN – TRUSTEE DENNEY HEARD.

ANNOUNCED NOMINATIONS SELECTED BY NOMINATING COMMITTEE IN DECEMBER 2009

NORMAN BRIGGS ELECTED CHAIRMAN; JEFF FRAPWELL ELECTED VICE CHAIRMAN

Denney-Barnes – 9 Ayes

2. Presentation recognizing Joseph Hughes' outstanding service to the Board of Retirement of the Kern County Employees' Retirement Association – MADE PRESENTATION TO MR. HUGHES – CHAIRMAN BRIGGS HEARD
- *3. Summary of proceedings of the following meetings:
 - December 1, 2009, Human Resources Committee
 - December 9, 2009, Investment/Regular Board
 - December 9, 2009, Nominating Committee
 - December 9, 2009, Investment Committee
 - December 16, 2009, Audit Actuarial Committee

RECEIVED AND FILED

Hughes-Barnes – 9 Ayes

- *4. Securities Lending Earnings Summary Statement for the period November 1 through 30, 2009 from the following:

- The Northern Trust Company

RECEIVED AND FILED

Hughes-Barnes – 9 Ayes

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

Hughes-Barnes – 9 Ayes

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

Hughes-Barnes – 9 Ayes

- *7. KCERA Class Action Activity detail by Event Status as of December 31, 2009 and KCERA Class Action Proceeds Received from October 1, 2009 through December 31, 2009 – RECEIVED AND FILED

Hughes-Barnes – 9 Ayes

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

Hughes-Barnes – 9 Ayes

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

Hughes-Barnes – 9 Ayes

- *10. Reports provided by Executive Director Anne M. Holdren on:

- Unclaimed member contributions to be deposited into the pension reserve fund in the amount of \$17,426.72
- Collection of overpayments in the amount of \$3,228.20
- Overpayments not collected from three decedents in the amount of \$770.24
- Underpayments not issued to seven decedents in the amount of \$3,184.27

- RECEIVED AND FILED

Hughes-Barnes – 9 Ayes

- *11. Semi-annual business plan status report to the Board of Retirement, prepared by Executive Director Anne M. Holdren – RECEIVED AND FILED

Hughes-Barnes – 9 Ayes

- *12. KCERA 2009 Retirement Benefit Statement and Cover Letter Sample – RECEIVED AND FILED; APPROVED

Hughes-Barnes – 9 Ayes

- *13. KCERA Board of Retirement 2010 standing committee assignments – RECEIVED AND FILED

Hughes-Barnes – 9 Ayes

- *15. Memorandum from Raymond McCray, State Association of County Retirement Systems (SACRS), dated December 10, 2009; announcing the 2010-2011 SACRS Board of Directors elections – RECEIVED AND FILED

Hughes-Barnes – 9 Ayes

- *16. Memorandum from Richard A. White, President of the State Association of County Retirement Systems (SACRS), dated December 4, 2009, regarding funding for Phase II of the SACRS-IRS Task Force Process – RECEIVED AND FILED; APPROVED \$6,000.00 TO SACRS FOR PHASE II OF THE SACRS - IRS TASK FORCE PROCESS

Hughes-Barnes – 9 Ayes

- *17. Invitation for trustees and/or staff to attend the International Beneficial Owner's Securities Lending & Repo Summit in Carlsbad, CA – RECEIVED AND FILED; APPROVED THE ATTENDANCE OF EXECUTIVE DIRECTOR ANNE M. HOLDREN

Hughes-Barnes – 9 Ayes

- *18. AXA Rosenberg Investment Company, US Mid/Small Cap Performance Report, November 30, 2009 – RECEIVED AND FILED

Hughes-Barnes – 9 Ayes

- *19. BlackRock, AKA Barclay Global Investors; International Alpha Tilts, November 2009 – RECEIVED AND FILED

Hughes-Barnes – 9 Ayes

- *20. BlackRock, AKA Barclay Global Investors; International Equity, November 2009 – RECEIVED AND FILED

Hughes-Barnes – 9 Ayes

- *21. Blackstone Alternative Asset Management L.P.; Blackstone Partners Investment Fund L.P., Monthly Strategy Summary, November 2009 – RECEIVED AND FILED

Hughes-Barnes – 9 Ayes

- *22. Goldman Sachs Asset Management, High Yield: US and Global Fixed Income, Performance Highlight Third Quarter 2009 – RECEIVED AND FILED

Hughes-Barnes – 9 Ayes

- *23. Goldman Sachs Asset Management, US Core Plus Fixed Income: US and Global Fixed Income, Performance Highlight Third Quarter 2009 – RECEIVED AND FILED

Hughes-Barnes – 9 Ayes

- *24. LaSalle Investment Management performance and activity report for KCERA's Global Mandate as of November 30, 2009 – RECEIVED AND FILED

Hughes-Barnes – 9 Ayes

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

Hughes-Barnes – 9 Ayes

- *26. State Street Global Advisors account summary as of November 30, 2009 – RECEIVED AND FILED

Hughes-Barnes – 9 Ayes

- *27. Western Asset Management Company, Core Fixed, Performance Summary Report, October 31, 2009 – RECEIVED AND FILED

Hughes-Barnes – 9 Ayes

- *28. Western Asset Management Company, High Yield, Performance Summary Report, October 31, 2009 – RECEIVED AND FILED

Hughes-Barnes – 9 Ayes

- *30. KCERA 2009 Strategic Plan as of January 13, 2010 – RECEIVED AND FILED

Hughes-Barnes – 9 Ayes

- *31. KCERA Investment Manager Due Diligence Schedule as of January 13, 2010 – RECEIVED AND FILED

Hughes-Barnes – 9 Ayes

- *32. KCERA Manager Watch List as of January 13, 2010 – RECEIVED AND FILED

Hughes-Barnes – 9 Ayes

14. Kern County Employee's Retirement Association Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 2009 and 2008 – CHARIMAN BRIGGS HEARD

RECOGNIZED EXECUTIVE DIRECTOR ANNE M. HOLDREN, SHERYL LAWRENCE AND JOSIAH VENCEL ON QUALITY AND CONTENT OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

RECEIVED AND FILED

Frapwell-Hughes – 9 Ayes

29. Memorandum from Julia Bonafede, Steve Foresti and Andrew Junkin, Wilshire Associates, Inc., dated December 10, 2009, summarizing the meeting with Blackrock Active Equity Investment Team – EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD; TRUSTEES DENNEY, FRAPWELL, KAUFMAN AND MAGGARD HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED

Denney-Hughes – 9 Ayes

PUBLIC COMMENTS

33. 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
34. Receive presentation from Lawrence Remstedt and Michael Wright, AXA Rosenberg Investment Company, on the following topics:
- KCERA product performance review including discussion of:
 - Q-T-D, 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
 - Discussion of whether recent underperformance has spurred investment process review and/or changes, particularly with respect to the introduction of sentiment or technical factors given product's emphasis on fundamental return drivers.
 - 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

LAWRENCE REMSTEDT AND MICHAEL WRIGHT, AXA ROSENBERG INVESTMENT COMPANY HEARD; EILEEN NEILL, WILSHIRE ASSOCIATES, INC. HEARD; TRUSTEE MAINLAND HEARD

RECEIVED PRESENTATION

Frapwell-Barnes – 9 Ayes

35. Discussion and appropriate action on proposed enhanced Small Cap Growth finalist candidates AllianceBernstein, L.P., Columbia Management Advisors, LLC, and Eagle Asset Management, Inc. presented by Eileen Neill, Wilshire Associates, Inc. and the Investment Committee – EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD; TRUSTEES BARNES AND KAUFMAN HEARD

RECEIVED AND FILED; APPROVED LIST OF FINALISTS FOR CONDUCTING DUE DILIGENCE AND RATIFIED EVALUATION PERIOD

Barnes-Frapwell – 9 Ayes

36. Discussion and appropriate action on proposed enhanced Small Cap Value finalist candidates Advisory Research, Inc., Columbia Management Advisors, Llc, and Fisher Investments presented by Eileen Neill, Wilshire Associates, Inc. and the Investment Committee – EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD

RECEIVED AND FILED; APPROVED LIST OF FINALISTS FOR CONDUCTING DUE DILIGENCE AND RATIFIED EVALUATION PERIOD

Hughes-Barnes – 9 Ayes

TRUSTEE HUGHES LEFT AT 9:37 A.M.

37. Discussion and appropriate action on high yield strategy overview presented by Eileen Neill, Wilshire Associates, Inc. – EILEEN NEILL, WILLSHIRE ASSOCIATES, INC., HEARD; CHAIRMAN BRIGGS HEARD; TRUSTEES FRANEY, JEFFERSON, KAUFMAN AND MAINLAND HEARD; DEPUTY COUNTY COUNSEL PATRICIA J. RANDOLPH HEARD

RECEIVED AND FILED

Jefferson-Denney – 8 Ayes; 1 Absent - Hughes

38. Report from KCERA Management – EXECUTIVE DIRECTOR ANNE M. HOLDREN INFORMED THE BOARD THAT KCERA EMPLOYEE JAN SUBLET WOULD BE RETURNING TO WORK FEBRUARY 1, 2010; THERE ARE 41 RETIREMNET APPLICATION IN QUEUE FOR PROCESSING IN FEBRUARY; AN ARTICLE SPOT-LIGHTING THE NEW KCERA BUILDING WILL BE IN THE JANUARY 2010 KCERA NEWSLETTER; A TRIP TO SANTA MONICA IS PLANNED TO LOOK AT FURNITURE OPTIONS FOR THE NEW BUILDING; AND THE STRATEGIC PLANNING MEETING FOR THE BOARD OF RETIREMENT WILL BE HELD ON JANUARY 27, 2010. EXECUTIVE DIRECTOR ANNE M. HOLDREN ALSO DISCUSSED THE COLA BANK AND ITS POSSIBLE IMPLICATIONS FOR RETIREE BENEFITS.

Monthly Activity Summary

Membership

	<u>2008</u>	<u>Current</u>
Active	9,197	8,801
Retirees/Beneficiaries	5,626	5908
Deferred/Reciprocal	1,052	1080
Total Membership	15,875	15,789

Membership Activities

	<u>2008</u>	<u>December 2009</u>	<u>Year To Date</u>
New Actives	1,005	35	477
New Retirees	321	26	418
New Beneficiaries	71	9	65
Withdrawals			
Vested	32	2	29
Non-Vested	373	21	323

Member Services

	<u>2008</u>	<u>December 2009</u>	<u>Year To Date</u>
Service Credit			
Calculated	601	24	876
Lump Sum	191	45	322
Payroll Deductions	110	6	89
Retirement Estimates	361	13	343

39. Report from County Counsel – NONE

40. Report from Committee Chairs:
- A. Audit/Actuarial Committee – CHAIRMAN FRANEY PROVIDED REPORT ON STATUS OF AUDIT
 - B. Budget Committee – NONE
 - C. Human Resources Committee – NONE
 - D. Information Technology Committee – NONE
 - E. Investment Committee – MEETING FOLLOWING BOARD
 - F. KCERA Property Inc. – MEETING FOLLOWING BOARD

BOARD MEMBER ANNOUNCEMENTS AND REPORTS

41. 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

Frapwell-Barnes – 8 Ayes; 1 Absent – Hughes

EXECUTIVE SESSION

42. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (SUBDIVISION (a) OF GOVERNMENT CODE §54956.9):

Name of case: County of Kern and kern County Employees' Association v Fireman's Fund Insurance Co. of Ohio, Hartford Casualty Insurance Co., Green-Hazel & Associates, Inc., Business Professional Insurance Associates, Inc. and 1-50, Los Angeles Superior Court Case No. BC 406674

43. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to subdivision (b) of Section 54956.9 (200 cases)

RETURNED TO PUBLIC SESSION

Barnes-Denney – 8 Ayes; 1 Absent – Hughes

ADJOURNED TO WEDNESDAY, JANUARY 27, 2010 AT 8:30 A.M.

Frapwell-Barnes – 8 Ayes; 1 Absent – Hughes

Secretary, Board of Retirement

Chairman, Board of Retirement