

SUMMARY OF PROCEEDINGS

BOARD OF RETIREMENT – COUNTY OF KERN

1115 Truxtun Avenue
Bakersfield, California

Investment Board Meeting
Wednesday February 10, 2010

8:31 a.m.

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

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

Absent: Hughes, Maggard, Ratekin, Alternate Studer

Salute to Flag – LED BY CHAIRMAN BRIGGS

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.

TRUSTEE HUGHES ARRIVED AT 8:32 A.M.

TRUSTEE MAGGARD ARRIVED AT 8:34 A.M.

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

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *2. Application for non-service-connected disability pension benefits for Marie Baier, CHILD SUPPORT SERVICES (General) – GRANTED NON-SERVICE-CONNECTED DISABILITY PENSION BENEFITS UNDER GOVERNMENT CODE §31720

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *3. Application for non-service-connected disability pension benefits for Linda Freeman, MENTAL HEALTH (General) – GRANTED NON-SERVICE-CONNECTED DISABILITY PENSION BENEFITS UNDER GOVERNMENT CODE §31720

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *4. Writ of Mandate from Superior Court regarding Annyce Pruett, CHILD SUPPORT SERVICES (General) – RECEIVED AND FILED

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *5. Discontinuance of Disability Pension Supplement for Gena Eddy, SHERIFF (General) – RECEIVED AND FILED; FOUND THAT MS. EDDY IS NO LONGER INCAPACITATED FROM THE SHERIFF'S AIDE II POSITION AND APPROVED THE DISCONTINUANCE OF HER DISABILITY PENSION SUPPLEMENT EFFECTIVE JULY 25, 2009

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *7. Securities Lending Earnings Summary Statement for the period December 1 through 31, 2009 from the following:

- The Northern Trust Company

RECEIVED AND FILED

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

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

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

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

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *10. Letter from Milliman Inc. on annual Cost-of-Living Adjustment (COLA) rates for 2010 – RECEIVED AND FILED; ADOPTED THE FOLLOWING PERCENTAGES DUE TO THE ANNUAL AVERAGE CONSUMER PRICE INDEX OF NEGATIVE 0.8% FOR THE LOS ANGELES-RIVERSIDE-ORANGE COUNTY, CA:

- DATE OF RETIREMENT ON OR BEFORE APRIL 1, 2007 GRANTED 2.5%;
- DATE OF RETIREMENT FROM APRIL 2, 2007 TO APRIL 1, 2008 GRANTED 1.0%; AND
- DATE OF RETIREMENT ON OR AFTER APRIL 2, 2008 GRANTED 0.0%; NEGATIVE 0.8% (-0.8%) POSTED TO COLA BANK

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *11. Proposed letter to The Northern Trust Company concerning manager presentation at March 10, 2010, Investment Board meeting – RECEIVED AND FILED; APPROVED

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *12. Invitation for trustees and/or staff to attend the California Association of Public Retirement Systems Annual Conference 2010, March 7 through 9, 2010, in Palm Springs – RECEIVED AND FILED; APPROVED THE ATTENDANCE OF THE TRUSTEES, DEPUTY COUNTY COUNSEL PATRICIA RANDOLPH AND EXECUTIVE DIRECTOR ANNE M. HOLDREN

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *13. Report on the 2009 Kern County Cares Canned Food Drive acknowledging KCERA as a top contributor per employee – RECEIVED AND FILED

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *14. AXA Rosenberg Investment Company, US Mid/Small Cap Performance Report, December 31, 2009 – RECEIVED AND FILED

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *15. BlackRock, Active International Equity Strategy, Fourth Quarter 2009 – RECEIVED AND FILED

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *16. BlackRock, International Alpha Tilts, December and Fourth Quarter 2009 – RECEIVED AND FILED

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *17. BlackRock, International Equity, December 2009 – RECEIVED AND FILED

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *18. BlackRock, Large Cap US Alpha Tilts, December and Fourth Quarter 2009 – RECEIVED AND FILED

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *19. BlackRock, US Equity Index Strategies, Fourth Quarter 2009 – RECEIVED AND FILED

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *20. Goldman Sachs Asset Management, High Yield: US and Global Fixed Income; Fourth Quarter 2009 – RECEIVED AND FILED

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *21. Goldman Sachs Asset Management, US Core Plus Fixed Income; as of December 31, 2009 – RECEIVED AND FILED

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *22. LaSalle Investment Management performance and activity report for KCERA's Global Mandate as of December 31, 2009 – RECEIVED AND FILED

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *23. LaSalle Investment Management performance report for KCERA's Real Estate Securities Portfolio as of December 31, 2009 – RECEIVED AND FILED

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *24. Letter from Steve Potter, Northern Trust Global Investment and Andy Clayton, Global Securities Lending, dated January 25, 2010, regarding an update on risk management activities – RECEIVED AND FILED

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *25. KCERA 2010 Strategic Plan as of February 10, 2010 – RECEIVED AND FILED

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *26. KCERA Investment Manager Due Diligence Schedule as of February 10, 2010 – RECEIVED AND FILED

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

- *27. KCERA Manager Watch List as of February 10, 2010 – RECEIVED AND FILED

Frapwell-Barnes – 8 Ayes; 1 Absent – Ratekin

6. Summary of proceedings of the following meetings:

- January 13, 2010, Investment Board
- January 13, 2010, Investment Committee
- January 27, 2010, Regular Board

TRUSTEE FRANEY REQUESTED ITEM BE REMOVED FROM CONSENT; DATE IN HEADER ON JANUARY 27, 2010 SUMMARY INCORRECT; TRUSTEE FRANEY PROVIDED COMMENTS ON ITEM 15 FROM EXECUTIVE SESSION OF THE JANUARY 27, 2010, REGULAR BOARD

CHAIRMAN BRIGGS HEARD; TRUSTEES DENNEY, FRANEY AND HUGHES HEARD; DEPUTY COUNTY COUNSEL HEARD

RECEIVED AND FILED

Hughes-Frapwell – 8 Ayes; 1 Absent – Ratekin

PUBLIC COMMENTS

28. 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. MICHAEL TURNIPSEED, KERN COUNTY TAXPAYERS ASSOCIATION SPOKE IN OPPOSITION TO THE KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION'S BUILDING PROJECT AT 11125 RIVER RUN BLVD., BAKERSFIELD, CALIFORNIA

29. Receive presentation, "What Are You Really Getting?" a reexamination of single market quantitative strategies presented by Eric J. Petroff and Scott Whalen, Wurts & Associates, Inc. – ERIC J. PETROFF AND SCOTT WHALEN, WURTS & ASSOCIATES HEARD; TRUSTEES BARNES, MAGGARD AND MAINLAND HEARD; EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD

RECEIVED PRESENTATION

Barnes-Frapwell – 8 Ayes; 1 Absent - Ratekin

30. Discussion and appropriate action on passive index fund candidates presented by Eileen Neill, Wilshire Associates, Inc. and the Investment Committee – EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD, TRUSTEE FRANEY HEARD

RECEIVED AND FILED, APPROVED MELLON CAPITAL AND STATE STREET GLOBAL ADVISORS FOR FINALISTS FOR PASSIVE INDEX FUND MANAGERS FOR CONDUCTING DUE DILIGENCE; RATIFIED EVALUATION PERIOD FOR FINALISTS

Frapwell-Denney – 8 Ayes; 1 Absent - Ratekin

31. Discussion and appropriate action on Kern County position regarding the Supplemental Retiree Benefit Reserve (SRBR) presented by John Nilon, County Administrative Officer – JOHN NILON AND ELISSA LADD, KERN COUNTY ADMINISTRATIVE OFFICE, HEARD; MARYLU BENNETT, RETIRED MEMBER, HEARD; CHAIRMAN BRIGGS HEARD; TRUSTEES BARNES, DENNEY, FRANEY, FRAPWELL, JEFFERSON, KAUFMAN, MAGGARD AND MAINLAND HEARD; DEPUTY COUNTY COUNSEL PATRICIA J. RANDOLPH HEARD

RECEIVED AND FILED; REFER TO AUDIT ACTUARIAL COMMITTEE FOR REVIEW AND RESPONSE TO THE COUNTY ADMINISTRATIVE OFFICE AND BOARD OF SUPERVISORS

Barnes-Maggard – 8 Ayes; 1 Absent – Ratekin

TRUSTEE FRAPWELL RECUSED HIMSELF FROM ITEM 32; LEFT AT 9:50 A.M.

32. Discussion and appropriate action pertaining to Kern County alternative KCERA space proposal by John Nilon, County Administrative Officer – JOHN NILON, MATT PONTES AND MATT MOSS, KERN COUNTY ADMINISTRATIVE OFFICE, HEARD; MARYLU BENNETT, JULES SALLEY AND GINGER MELLOW, RETIRED MEMBERS, HEARD; MICHAEL TURNIPSEED, KERN COUNTY TAXPAYERS ASSOCIATION, HEARD; EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD; CHAIRMAN BRIGGS HEARD; TRUSTEES BARNES, DENNEY, FRANEY, HUGHES, JEFFERSON, KAUFMAN, AND MAGGARD HEARD; DEPUTY COUNTY COUNSEL PATRICIA J. RANDOLPH HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED; MOTION TO PROCEED WITH BUILDING PROJECT AT 11125 RIVER RUN BLVD., BAKERSFIELD, CA, AS DETERMINED BY THE BOARD OF RETIRMENT ON DECEMBER 9, 2009

Barnes-Mainland – 4 Ayes – Barnes, Briggs, Denney, Mainland; 3 Noes – Hughes, Jefferson, Maggard; 2 Absent – Frapwell, Ratekin

Motion Failed; Continued Discussion

32. CONTINUED:

RECEIVED AND FILED; 2ND MOTION TO PROCEED WITH BUILDING PROJECT AT 11125 RIVER RUN BLVD., BAKERSFIELD, CA, AS DETERMINED BY THE BOARD OF RETIRMENT ON DECEMBER 9, 2009

Barnes-Mainland – 5 Ayes – Barnes, Briggs, Denney, Jefferson, Mainland; 2 Noes – Hughes, Maggard; 2 Absent – Frapwell, Ratekin

Motion Passed

BREAK AT 10:32 A.M., 7 MINUTES

33. Report from KCERA Management – EXECUTIVE DIRECTOR ANNE M. HOLDREN INFORMED THE BOARD THAT FORMER KCERA EMPLOYEE CATHERINE CONTRERAS HAD BEEN ARRESTED; PANTHEON IS BEING ACQUIRED BY THE AMERICAN MANAGEMENT GROUP (AMG)

Monthly Activity Summary

Membership

	<u>2009</u>	<u>Current</u>
Active	8,801	8,795
Retirees/Beneficiaries	5,908	5,918
Deferred/Reciprocal	1,080	1,080
Total Membership	15,789	15,793

Membership Activities

	<u>2009</u>	<u>January 2010</u>	<u>Year To Date</u>
New Actives	477	25	25
New Retirees	418	16	16
New Beneficiaries	65	6	6
Withdrawals			
Vested	29	1	1
Non-Vested	323	18	18

Member Services

	<u>2009</u>	<u>January 2010</u>	<u>Year To Date</u>
Service Credit			
Calculated	876	24	24
Lump Sum	322	43	43
Payroll Deductions	89	9	9
Retirement Estimates	343	11	11

34. Report from County Counsel – NONE

35. Report from Committee Chairs:

A. Audit/Actuarial Committee – MEETING ON FEBRUARY 23, 2010

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

TRUSTEE FRAPWELL RETURNED AT 10:50 A.M.

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 – NONE

ADJOURNED TO EXECUTIVE SESSION

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

EXECUTIVE SESSION

DISABILITY RETIREMENT APPLICATIONS – PERSONNEL EXCEPTION (GOVERNMENT CODE SECTION 54957)

- . ITEM 37-40 WERE APPROVED ON CONSENT AND WITHDRAWN FROM EXECUTIVE SESSION.

41. 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 Does 1-50, Los Angeles Superior Court Case No. BC 406674

42. CONFERENCE WITH REAL PROPERTY NEGOTIATORS
Property: 2700 M Street, Bakersfield, CA
Agency Negotiator: John Nilon
Negotiating Parties: Kern County Employees' Retirement Association and County of Kern

Under negotiation: Price and terms of payment

RETURNED TO PUBLIC SESSION

Barnes-Frapwell – 8 Ayes; 1 Absent – Ratekin

ADJOURNED TO WEDNESDAY, FEBRUARY 24, 2010 AT 8:30 A.M.

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

Secretary, Board of Retirement

Chairman, Board of Retirement