

SUMMARY OF PROCEEDINGS

BOARD OF RETIREMENT – COUNTY OF KERN

1115 Truxtun Avenue
Bakersfield, California

Investment Board Meeting
Wednesday March 10, 2010

8:30 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, Ratekin, Alternate Franey, Alternate Kaufman

Absent: Hughes, Maggard, 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.

*1. Summary of proceedings of the following meetings:

- February 10, 2010, Investment Board
- February 10, 2010, Investment Committee
- February 23, 2010, Audit Actuarial Committee
- February 24, 2010, Regular Board

RECEIVED AND FILED

Denney-Frapwell – 7 Ayes; 2 Absent – Hughes, Maggard

*2. Securities Lending Earnings Summary Statement for the period January 1 through 31, 2010 from the following:

- The Northern Trust Company

RECEIVED AND FILED

Denney-Frapwell – 7 Ayes; 2 Absent – Hughes, Maggard

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

Denney-Frapwell – 7 Ayes; 2 Absent – Hughes, Maggard

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

Denney-Frapwell – 7 Ayes; 2 Absent – Hughes, Maggard

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

Denney-Frapwell – 7 Ayes; 2 Absent – Hughes, Maggard

- *6. Notice of due diligence meetings with Fisher Investments, Woodside, CA, and BlackRock, Mellon Capital and Pantheon Ventures, Inc, all in San Francisco, CA on March 18 through 19, 2010 - RECEIVED AND FILED; APPROVED ATTENDANCE OF TRUSTEES NORMAN BRIGGS AND PHIL FRANNEY AND EXECUTIVE DIRECTOR ANNE M. HOLDREN

Denney-Frapwell – 7 Ayes; 2 Absent – Hughes, Maggard

- *7. County of Kern Rental Agreement for Canon ImageRunner 5065 black and white copier for a 36-month period not to exceed \$14,832 for 36 months, (monthly minimum rental rate of \$412.00) plus .008 per page monthly usage charge – RECEIVED AND FILED; APPROVED; AUTHORIZED CHAIRMAN TO SIGN

Denney-Frapwell – 7 Ayes; 2 Absent – Hughes, Maggard

- *8. Report dated March 2, 2010 regarding Insurance Notification Requirements for Contracts with Actuarial Consultants to Board of Supervisors from Theresa A. Goldner, County Counsel – RECEIVED AND FILED

Denney-Frapwell – 7 Ayes; 2 Absent – Hughes, Maggard

- *9. BlackRock, Active International Equity Fund, Performance Report, March 1, 2010 – RECEIVED AND FILED

Denney-Frapwell – 7 Ayes; 2 Absent – Hughes, Maggard

- *10. BlackRock, Alpha Tilts Fund, Performance Report, March 1, 2010 – RECEIVED AND FILED

Denney-Frapwell – 7 Ayes; 2 Absent – Hughes, Maggard

- *11. BlackRock, Equity Index Fund, Performance Report, March 1, 2010 – RECEIVED AND FILED

Denney-Frapwell – 7 Ayes; 2 Absent – Hughes, Maggard

- *12. LaSalle Investment Management performance and activity report for KCERA's Global Mandate as of January 29, 2010 – RECEIVED AND FILED

Denney-Frapwell – 7 Ayes; 2 Absent – Hughes, Maggard

- *13. LaSalle Investment Management performance report for KCERA's Real Estate Securities Portfolio as of January 29, 2010 – RECEIVED AND FILED

Denney-Frapwell – 7 Ayes; 2 Absent – Hughes, Maggard

- *14. Revised Implementation Plan for managers' searches provided by Wilshire Associates, Inc. – RECEIVED AND FILED

Denney-Frapwell – 7 Ayes; 2 Absent – Hughes, Maggard

- *15. KCERA 2010 Strategic Plan as of March 10, 2010 – RECEIVED AND FILED

Denney-Frapwell – 7 Ayes; 2 Absent – Hughes, Maggard

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

Denney-Frapwell – 7 Ayes; 2 Absent – Hughes, Maggard

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

Denney-Frapwell – 7 Ayes; 2 Absent – Hughes, Maggard

PUBLIC COMMENTS

18. 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
19. Receive presentation from Kerry Nelson, Chris Doell, Fred Azar, and Julie Gonsch, The Northern Trust Company, on the following topics:
- Core USA Pool performance review including discussion of:
 - Q-T-D, Y-T-D, annual and since KCERA inception
 - Key factors which have driven these results in each account over the past twelve months
 - Discussion of any currently priced stressed (i.e., Market-To-Book ["MTB"] ration <95) portfolio holdings focusing on any issues likely to be written down in the coming months
 - Discussion of process that occurs when the Core USA pool MTB achieves 1.00. When does payable get completely erased after this ration is reached?
 - Discussion of how credit evaluation process has changed to minimize risk exposure from investment in securities dependent upon underlying cash flow streams (e.g., ABS, RMBS, MBS, etc.)
 - Discussion of what worst case scenario is currently given the presence of stressed issues in the Pool
 - Update on the class action services
 - 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 Core USA assets under management and number of clients
 - Number and assets under management of clients gained or lost in the Core USA Pool over the past year

FRED AZAR, CHRIS DOELL, JULIE GONSCH AND KERRY NELSON,
THE NORTHERN TRUST COMPANY HEARD; CHAIRMAN BRIGGS
HEARD; TRUSTEES BARNES, FRANNEY AND KAUFMAN HEARD;
MICHAEL SCHLACHTER, WILSHIRE ASSOCIATES, INC., HEARD;
EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED PRESENTATION

Frapwell-Denney – 7 Ayes; 2 Absent – Hughes, Maggard

20. Discussion and appropriate action on the audit reviews of the June 30, 2009 Actuarial Valuation and June 30, 2008 Triennial Investigation of Experience, presented by Robert McCrory, EFI Actuaries and the Audit-Actuarial Committee – ROBERT MCCRORY, EFI ACTUARIES, HEARD; CHAIRMAN BRIGGS HEARD

RECEIVED AND FILED; APPROVED

Frapwell-Barnes – 7 Ayes; 2 Absent – Hughes, Maggard

21. Discussion and appropriate action on the actuarial valuation of plan assets for June 30, 2009, and recommended employee and employer contribution rates for the Fiscal Year 2010-11, presented by Karen Steffen and Daniel Wade, Milliman, Inc. and the Audit Actuarial Committee –

GENERAL – COUNTY	33.07%
SAFETY	46.70%
GENERAL – COURTS	32.02%
GENERAL – DISTRICT CATEGORY I	35.07%
GENERAL – DISTRICT CATEGORY II	34.72%
GENERAL – DISTRICT CATEGORY III	32.84%
GENERAL – DISTRICT CATEGORY IV	31.80%
GENERAL – DISTRICT CATEGORY V	33.64%
TOTAL PLAN	36.42%

KAREN STEFFEN AND DANIEL WADE, MILLIMAN, INC., HEARD; CHAIRMAN BRIGGS HEARD; TRUSTEES BARNES, DENNEY AND FRANEY HEARD; SUSAN WELLS, COUNTY ADMINISTRATIVE OFFICE, HEARD; DEPUTY COUNTY COUNSEL PATRICIA J. RANDOLPH HEARD

RECEIVED AND FILED; APPROVED VALUATION AND EMPLOYER CONTRIBUTION RATES AS RECOMMENDED BY ACTUARY; REFERRED TO BOARD OF SUPERVISORS FOR ADOPTION

Barnes-Jefferson – 7 Ayes; 2 Absent – Hughes, Maggard

22. Discussion and appropriate action on potential 2009 negative Cost of Living Adjustment (COLA) and impacts to the COLA and Supplemental Retirement Benefits Reserve (SRBR) benefits to avoid decrease in SRBR III benefits due to negative consumer price index presented by Karen Steffen and Daniel Wade, Milliman, Inc. and the Audit Actuarial Committee – KAREN STEFFEN AND DANIEL WADE, MILLIMAN, INC., HEARD; CHAIRMAN BRIGGS HEARD; TRUSTEES BARNES, DENNEY, FRANEY AND FRAPWELL HEARD; DEPUTY COUNTY COUNSEL PATRICIA J. RANDOLPH HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED; APPROVED; ADOPTED RESOLUTION

Barnes-Jefferson – 6 Ayes; 1 Opposed – Frapwell; 2 Absent – Hughes, Maggard

REFERRED THE MATTER TO THE AUDIT ACTUARIAL COMMITTEE TO REVIEW POSSIBILITY OF ALIGNING TIMING OF SRBR BENEFITS WITH THE ANNUAL COST OF LIVING ADJUSTMENT (COLA)

Frapwell-Jefferson – 7 Ayes; 2 Absent – Hughes, Maggard

23. Discussion and appropriate action on Amendment No. 2 to Purchase Agreement between CPAS Systems Inc. and Kern County Employees' Retirement Association for purchase of an integrated pension administration system to reflect:
1. Changes to the project's payment milestones;
 2. Reduction of hardware and commodity software requirements;
- Resulting in lowering project costs by \$163,574 presented by Ben Oh, Linea Solutions, Inc., Kirk Perkins, Deputy County Counsel, Lee Blair, Assistant Executive Director and the Information Technology Committee – BEN OH, LINEA SOLUTIONS, INC., HEARD; ASSISTANT EXECUTIVE DIRECTOR LEE BLAIR HEARD

RECEIVED AND FILED; APPROVED; AUTHORIZED CHAIR TO SIGN

Frapwell-Denney – 7 Ayes; 2 Absent – Hughes, Maggard

24. Discussion and appropriate action for KCERA performing payroll processing in-house rather than an outside vendor including recommended changes and resource allocation presented by Ben Oh, Linea Solutions, Inc., Lee Blair, Assistant Executive Director and the Information Technology Committee – BEN OH, LINEA SOLUTIONS, INC., HEARD; ASSISTANT EXECUTIVE DIRECTOR LEE BLAIR HEARD; CHAIRMAN BRIGGS HEARD; TRUSTEES BARNES, FRAPWELL, FRANEY, AND JEFFERSON HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED; APPROVED

Frapwell-Barnes – 7 Ayes; 2 Absent – Hughes, Maggard

FIVE MINUTE BREAK 11:02 A.M.

TRUSTEE FRAPWELL LEFT AT 11:05 A.M.

25. Discussion and appropriate action on recommendation to place The Northern Trust Company on the Manager Watch List for management of the Securities Lending Core USA Collateral pool presented by Michael Schlachter, Wilshire Associates, Inc. and the Investment Committee – MICHAEL SCHLACHTER, WILSHIRE ASSOCIATES, INC., HEARD; CHAIRMAN BRIGGS HEARD; TRUSTEES BARNES, DENNEY, FRANEY AND KAUFMAN HEARD; DEPUTY COUNTY COUNSEL PATRICIA J. RANDOLPH HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED; APPROVED PLACING NORTHERN TRUST ON MANAGER WATCH LIST; RATIFIED EVALUATION PERIOD

Barnes-Jefferson – 6 Ayes; 3 Absent – Frapwell, Hughes, Maggard

26. Discussion regarding the acquisition of Pantheon by the Affiliated Managers Group, Inc. (AMG) presented by Michael Schlachter, Wilshire Associates, Inc. – MICHAEL SCHLACHTER, WILSHIRE ASSOCIATES, INC., HEARD; CHAIRMAN BRIGGS HEARD; TRUSTEES BARNES, FRANEY AND MAINLAND HEARD

RECEIVED AND FILED

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

27. Discussion and appropriate action for alternative structure for the fixed income component of the risk budget implementation plan to implement an alternative fixed income structure that excludes the Core Enhanced Bond Index mandate presented by Michael Schlachter, Wilshire Associates, Inc. – MICHAEL SCHLACHTER, WILSHIRE ASSOCIATES, INC., HEARD

RECEIVED AND FILED, APPROVED

Denney-Ratekin – 6 Ayes; 3 Absent – Frapwell, Hughes, Maggard

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

RECEIVED AND FILED

Denney-Jefferson – 6 Ayes; 3 Absent – Frapwell, Hughes, Maggard

29. Report from KCERA Management – EXECUTIVE DIRECTOR ANNE M. HOLDREN INFORMED THE BOARD OF THE REQUIREMENT TO NOTIFY ALL KCERA MEMBERS OF THE POTENTIAL EXPOSURE TO FRAUD DUE TO THE ACCESS THE FORMER KCERA EMPLOYEE HAD TO THE DATABASE

Monthly Activity Summary

Membership

	<u>2009</u>	<u>Current</u>
Active	8,801	8769
Retirees/Beneficiaries	5,908	5,947
Deferred/Reciprocal	1,080	1,080
Total Membership	15,789	15,796

Membership Activities

	<u>2009</u>	<u>February 2010</u>	<u>Year To Date</u>
New Actives	477	62	87
New Retirees	418	41	57
New Beneficiaries	65	8	14
Withdrawals			
Vested	29	2	3
Non-Vested	323	10	28

Member Services

	<u>2009</u>	<u>February 2010</u>	<u>Year To Date</u>
Service Credit			
Calculated	876	71	95
Lump Sum	322	4	47
Payroll Deductions	89	4	13
Retirement Estimates	343	23	34

30. Report from County Counsel – NONE

31. Report from Committee Chairs:
- A. Audit/Actuarial Committee – NONE
 - B. Budget Committee – NONE
 - C. Human Resources Committee – MEETING SCHEDULED FOR MARCH 24, 2010
 - D. Information Technology Committee – NONE
 - E. Investment Committee – MEETING FOLLOWING BOARD
 - F. KCERA Property Inc. – NONE

BOARD MEMBER ANNOUNCEMENTS AND REPORTS

32. 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 WEDNESDAY, MARCH 24, 2010 AT 8:30 A.M.

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

Secretary, Board of Retirement

Chairman, Board of Retirement