

## SUMMARY OF PROCEEDINGS

### BOARD OF RETIREMENT – COUNTY OF KERN

1115 Truxtun Avenue  
Bakersfield, California

Investment Board Meeting  
Wednesday April 14, 2010

8:32 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, Hughes, Jefferson, Maggard, Ratekin, Alternate Franey, Alternate Kaufman

Absent: Frapwell, Mainland, 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:

- March 3, 2010, Information Technology Committee
- March 10, 2010, Investment Board
- March 10, 2010, Investment Committee
- March 24, 2010, Regular Board
- March 24, 2010, Human Resources Committee

RECEIVED AND FILED

**Denney-Barnes – 7 Ayes; 2 Absent – Frapwell, Mainland**

\*2. KCERA Class Action Activity Detail by Event Status as of March 31, 2010 and KCERA Class Action Proceeds Received from January 1, 2010 through March 31, 2010 – RECEIVED AND FILED

**Denney-Barnes – 7 Ayes; 2 Absent – Frapwell, Mainland**

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

**Denney-Barnes – 7 Ayes; 2 Absent – Frapwell, Mainland**

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

**Denney-Barnes – 7 Ayes; 2 Absent – Frapwell, Mainland**

- \*5. Request for approval to increase the annual Fee-For-Services not to exceed limit of fifty thousand dollars (\$50,000) as set forth in the Agreement for Actuarial Services between Milliman, Inc. and the Kern County Employees' Retirement Association dated December 12, 2007, to ninety thousand dollars (\$90,000) in 2010 – RECEIVED AND FILED; APPROVED INCREASE IN FEE-FOR-SERVICES ANNUAL LIMIT FOR ACTUARIAL SERVICES FROM MILLIMAN, INC. TO NINETY THOUSAND DOLLARS IN 2010

**Denney-Barnes – 7 Ayes; 2 Absent – Frapwell, Mainland**

- \*6. Due Diligence Schedule for Risk Budget Implementation – RECEIVED AND FILED

**Denney-Barnes – 7 Ayes; 2 Absent – Frapwell, Mainland**

- \*7 Notice from Western Asset Management Company, dated March 23, 2010, of changes to Investment Management Agreement to permit Western to utilize additional Western offices to assist in managing the funds - RECEIVED AND FILED; APPROVED

**Denney-Barnes – 7 Ayes; 2 Absent – Frapwell, Mainland**

- \*8. Proposed letter to BlackRock concerning manager presentation at May 19, 2010 Investment Board meeting – RECEIVED AND FILED; APPROVED

**Denney-Barnes – 7 Ayes; 2 Absent – Frapwell, Mainland**

- \*9. Notice of due diligence meetings with AllianceBernstein, ING Investment Management and T. Rowe Price in Baltimore and New York on May 3 through 5, 2010 – RECEIVED AND FILED; APPROVED ATTENDANCE OF TRUSTEE NORMAN BRIGGS AND EXECUTIVE DIRECTOR ANNE M. HOLDREN

**Denney-Barnes – 7 Ayes; 2 Absent – Frapwell, Mainland**

- \*10. BlackRock, International Equity, February 2010 – RECEIVED AND FILED

**Denney-Barnes – 7 Ayes; 2 Absent – Frapwell, Mainland**

- \*11. BlackRock, Large Cap US Alpha Tilts, February 2010 – RECEIVED AND FILED

**Denney-Barnes – 7 Ayes; 2 Absent – Frapwell, Mainland**

- \*12. The Northern Trust Company, Core USA Fund, Supplemental Statement, March 12, 2010 – RECEIVED AND FILED

**Denney-Barnes – 7 Ayes; 2 Absent – Frapwell, Mainland**

- \*13. The Northern Trust Company, Core USA Fund, Securities Lending Update, March 2010 – RECEIVED AND FILED

**Denney-Barnes – 7 Ayes; 2 Absent – Frapwell, Mainland**

- \*14. Pyramis Global Advisors, Select International Pool / Select International Small Cap, Monthly Investment Review, February 2010 – RECEIVED AND FILED

**Denney-Barnes – 7 Ayes; 2 Absent – Frapwell, Mainland**

- \*15. KCERA 2010 Strategic Plan as of April 14, 2010 – RECEIVED AND FILED

**Denney-Barnes – 7 Ayes; 2 Absent – Frapwell, Mainland**

- \*16. KCERA Investment Manager Due Diligence Schedule as of April 14, 2010 – RECEIVED AND FILED

**Denney-Barnes – 7 Ayes; 2 Absent – Frapwell, Mainland**

- \*17. KCERA Manager Watch List as of April 14, 2010 – RECEIVED AND FILED

**Denney-Barnes – 7 Ayes; 2 Absent – Frapwell, Mainland**

- \*18. Correspondence from Neil Tremblay, dated March 17, 2010, regarding recent State Street Global Advisors management changes – RECEIVED AND FILED

**Denney-Barnes – 7 Ayes; 2 Absent – Frapwell, Mainland**

PUBLIC COMMENTS

19. 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

20. Discussion and appropriate action on the Investment Officer position, including job description, salary range and recruitment plan presented by Tom Iannucci, Cortex Applied Research, and the Human Resources Committee – TOM IANNUCCI, CORTEX APPLIED RESEARCH, HEARD; CHAIRMAN BRIGGS HEARD; TRUSTEE HUGHES HEARD; EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD; DEPUTY COUNTY COUNSEL PATRICIA J. RANDOLPH HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED; APPROVED JOB DESCRIPTION, SALARY RANGE AND RECRUITMENT PLAN; DIRECTED COMMENCEMENT OF RECRUITMENT

**Denney-Hughes – 7 Ayes; 2 Absent – Frapwell, Mainland**

21. Discussion and appropriate action on recommendation to terminate the BlackRock U.S. Alpha Tilts product due to sustained underperformance and concerns about the organization and that two Core Enhanced Index firms be hired, rather than the one originally planned; and the BlackRock International Alpha Tilts product be placed on Watch List due to organizational concerns of the team and resources presented by Eileen Neill, Wilshire Associates, Inc. and Investment Committee – EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD

RECEIVED AND FILED; APPROVED TERMINATING BLACKROCK, INC. AS MANAGER OF THE U.S. ALPHA TILTS (U.S. SCIENTIFIC ACTIVE EQUITY) FUND AND HIRING TWO CORE ENHANCED INDEX FIRMS INSTEAD OF THE ONE ORIGINALLY PLANNED AND PLACING BLACKROCK, INC. AS MANAGER OF THE INTERNATIONAL ALPHA TILTS (INTERNATIONAL SCIENTIFIC ACTIVE EQUITY) FUND ON WATCH LIST FOR A PERIOD OF ONE YEAR TO BE REVIEWED AT THE END OF THE FIRST QUARTER 2011; CONTINUED EVALUATION PERIOD

**Maggard-Ratekin – 7 Ayes; 2 Absent – Frapwell, Mainland**

22. Discussion and appropriate action on moderate risk core plus bond candidates presented by Eileen Neill, Wilshire Associates, Inc. and Investment Committee – EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD; CHAIRMAN BRIGGS HEARD; TRUSTEE BARNES HEARD

RECEIVED AND FILED, APPROVED ING INVESTMENT MANAGEMENT COMPANY AND PACIFIC INVESTMENT MANAGEMENT COMPANY AS FINALISTS FOR MODERATE RISK CORE PLUS MANAGERS AND FOR CONDUCTING DUE DILIGENCE; RATIFIED EVALUATION PERIOD

**Barnes-Maggard – 7 Ayes; 2 Absent – Frapwell, Mainland**

TRUSTEE MAINLAND ARRIVED AT 9:13 A.M.

23. Discussion and appropriate action on total fund performance attribution study presented by Eileen Neill, Wilshire Associates, Inc. – EILEEN NEILL, WILSHIRE ASSOCIATES, INC., CHAIRMAN BRIGGS HEARD; TRUSTEE MAGGARD HEARD

RECEIVED AND FILED

**Denney-Barnes – 8 Ayes; 1 Absent – Frapwell**

24. Discussion and appropriate action on placement agent policy including disclosure of placement agent fees, gifts and campaign contributions presented by Deputy County Counsel Patricia J. Randolph – DEPUTY COUNTY COUNSEL PATRICIA J. RANDOLPH HEARD; CHAIRMAN BRIGGS HEARD; TRUSTEES BARNES, DENNEY AND MAINLAND HEARD; EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD;

RECEIVED AND FILED; APPROVED POLICY; INSTRUCTED STAFF TO CONTACT CURRENT MANAGERS TO DISCLOSE PLACEMENT AGENT PRACTICES

**Barnes-Maggard – 8 Ayes; 1 Absent – Frapwell**

TRUSTEE HUGHES LEFT AT 9:42 A.M.

25. Discussion and appropriate action on furniture acquisition for the new property at 11125 River Run Boulevard presented by Daniel Robinson, American Realty Advisors – DANIEL ROBINSON, AMERICAN REALTY ADVISORS, HEARD; TOM ZIMMERMAN; CORE BUSINESS INTERIORS, HEARD; CHAIRMAN BRIGGS HEARD; TRUSTEES BARNES, DENNEY, FRANEY, MAGGARD AND MAINLAND HEARD; DEPUTY COUNTY COUNSEL PATRICIA J. RANDOLPH HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED; PROCEED WITH PURCHASING OF FURNITURE USING CONTRACT WITH U.S. COMMUNITIES

**Barnes made motion; no second; motion failed**

RECEIVED AND FILED; REFERRED BACK TO STAFF FOR FURTHER ANALYSIS OF PURCHASING PROCESS

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

26. Discussion and appropriate action on KCERA's voting delegation for the State Association of County Retirement Systems (SACRS) Spring 2010 Conference, presented by Executive Director Anne M. Holdren – EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD; CHAIRMAN BRIGGS HEARD; TRUSTEES DENNEY; FRANEY; JEFFERSON AND MAINLAND HEARD

RECEIVED AND FILED; APPOINTED TRUSTEE MAINLAND AS VOTING DELEGATE AND TRUSTEE JEFFERSON AS ALTERNATE

**Barnes-Denney – 7 Ayes; 2 Absent – Frapwell, Hughes**

TRUSTEE MAGGARD LEFT AT 10:03 A.M.

27. Report from KCERA Management – EXECUTIVE DIRECTOR ANNE M. HOLDREN INFORMED THE BOARD OF THE COLA DISTRIBUTION BREAKDOWN AND PROVIDED AN UPDATE REGARDING THE MAILING OF THE FRAUD ALERT LETTERS, PHONE CALLS RECEIVED BY KCERA AND PAST AND FUTURE HIRING PRACTICES PERTAINING TO OBTAINING CRIMINAL BACKGROUND CHECKS, FINGERPRINTING AND CREDIT REPORT ON POTENTIAL NEW HIRES

**Monthly Activity Summary**

**Membership**

	<u>2009</u>	<u>Current</u>
Active	8,801	8738
Retirees/Beneficiaries	5,908	5955
Deferred/Reciprocal	1,080	1084
Total Membership	15,789	15777

**Membership Activities**

	<u>2009</u>	<u>March 2010</u>	<u>Year To Date</u>
New Actives	477	21	108
New Retirees	418	22	79
New Beneficiaries	65	8	22
Withdrawals			
Vested	29	2	5
Non-Vested	323	20	48

**Member Services**

	<u>2009</u>	<u>March 2010</u>	<u>Year To Date</u>
Service Credit			
Calculated	876	139	234
Lump Sum	322	16	63
Payroll Deductions	89	5	18
Retirement Estimates	343	18	52

28. Report from County Counsel – NONE
29. Report from Committee Chairs:
  - A. Audit/Actuarial Committee – MEETING SCHEDULED FOR APRIL 28, 2010
  - B. Budget Committee – NONE
  - C. Human Resources Committee –
  - D. Information Technology Committee – NONE
  - E. Investment Committee – MEETING FOLLOWED BOARD
  - F. KCERA Property Inc. – NONE

BOARD MEMBER ANNOUNCEMENTS AND REPORTS

30. 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, APRIL 28, 2010 AT 8:30 A.M.

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

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Secretary, Board of Retirement

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Chairman, Board of Retirement