

SUMMARY OF PROCEEDINGS

BOARD OF RETIREMENT – COUNTY OF KERN

1115 Truxtun Avenue
Bakersfield, California

Investment-Regular Board Meeting
Wednesday May 19, 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, Hughes, Jefferson, Maggard, Mainland, Alternate Kaufman

Absent: Ratekin, Alternate Franey, 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 FRANNEY ARRIVED AT 8:34 A.M.

- *1. Application for service-connected disability pension benefits for Darla Davis, KERN MEDICAL CENTER (General) – FOUND APPLICANT PERMANENTLY INCAPACITATED FROM PERFORMING HER DUTIES; GRANTED SERVICE-CONNECTED DISABILITY PENSION BENEFITS UNDER GOVERNMENT CODE §31720

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *2. Application for service-connected disability pension benefits for Kristina Chapa, SHERIFF (Safety) – DENIED SERVICE-CONNECTED DISABILITY PENSION BENEFITS UNDER GOVERNMENT CODE §31720

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *3. Summary of proceedings of the following meetings:

- April 14, 2010, Investment Board
- April 14, 2010, Investment Committee
- April 28, 2010, Regular Board

RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *4. KCERA asset allocation, cash flow position, investment fees status report and budget status reports for the month of March 2010 – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

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

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

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

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *8. Notice of due diligence meetings with Eagle Asset Management, ING Investment Management, Advisory Research and The Northern Trust Company in St. Petersburg, Florida, Atlanta, and Chicago on June 14 through 17, 2010 – RECEIVED AND FILED; APPROVED ATTENDANCE OF TRUSTEE NORMAN BRIGGS AND EXECUTIVE DIRECTOR ANNE M. HOLDREN

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *9. Letter to Lee Wanie, Blackrock, Inc., dated April 15, 2010, from Executive Director Anne M. Holdren regarding the action to terminate BlackRock, Inc., as manager of U.S. Scientific Active Equity and to place BlackRock, Inc., as manager of the International Scientific Active Equity, on manager watch list – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *10. Letter to Lawrence Remstedt, AXA Rosenberg, dated April 29, 2010, from Executive Director Anne M. Holdren regarding the action to place AXA Rosenberg on manager watch list – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *11. Letter from Pyramis Global Advisors, dated May 11, 2010, pertaining to accounting error in to FREG I final distribution to KCERA on April 23, 2010 in the amount of \$426,775.14 and requesting return of eighty five thousand, three hundred and fifty five dollars (\$85,355) to correct general partner payment – RECEIVED AND FILED; AUTHORIZED PAYMENT OF EIGHTY FIVE THOUSAND, THREE HUNDRED AND FIFTY FIVE DOLLARS (\$85,355)

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *12. Report from Trustee Bob Jefferson concerning his attendance at the Pension Bridge 2010 Annual Conference, April 6 through 8, 2010, in San Francisco – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *13. Report from Trustee Brad Barnes concerning his attendance at the Research Affiliates 2010 Advisory Panel, April 9 through 11, 2010, in La Jolla – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *14. BlackRock, Active International Equity Strategy, Performance Report, First Quarter 2010 – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *15. BlackRock, International Alpha Tilts, Performance Report, March/First Quarter 2010 – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *16. BlackRock, International Equity, Performance Report, March 2010 – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *17. BlackRock, Large Cap US Alpha Tilts, Performance Report, March/First Quarter 2010 – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *18. BlackRock, US Equity Index Strategies, Performance Report, First Quarter 2010 – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *19. Correspondence from Goldman Sachs Asset Management, dated April 26, 2010, regarding Fixed Income Credit Team Update – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *20. LaSalle Investment Management performance and activity report for KCERA's Global Mandate as of March 31, 2010 – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *21. LaSalle Investment Management performance report for KCERA's Real Estate Securities Portfolio as of March 31, 2010 – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *22. Correspondence from Stephen Potter and Andrew Clayton, The Northern Trust Company, dated April 19, 2010, regarding risk Management Activities – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *23. Pacific Investment Management Company (PIMCO), StocksPLUS, L.P. Fund B, Investment Report, March 31, 2010 – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *24. Pantheon USA Fund III, L.P., Investment Adviser's Report, for quarter ended December 31, 2009 – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *25. Pantheon Global Secondary Fund III B, L.P., Investment Adviser's Report, for quarter ended December 31, 2009 – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *26. Pantheon USA Fund V, L.P., Investment Adviser's Report, for quarter ended December 31, 2009 – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *27. Pantheon USA Fund VI, L.P., Investment Adviser's Report, for quarter ended December 31, 2009 – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *28. Pantheon USA Fund VII, L.P., Investment Adviser's Report, for quarter ended December 31, 2009 – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *29. Correspondence from Art Greenwood, Pyramis Global Advisors, dated May 11, 2010, regarding organizational structure and leadership changes – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *30. Correspondence from Western Asset Management Company, dated May 10, 2010, regarding changes by the parent company, Legg Mason – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *31. KCERA 2010 Strategic Plan as of May 19, 2010 – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *32. KCERA Investment Manager Due Diligence Schedule as of May 19, 2010 – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

- *33. KCERA Manager Watch List as of May 19, 2010 – RECEIVED AND FILED

Frapwell-Hughes – 8 Ayes; 1 Absent – Ratekin

7. Monthly report of KCERA credit card charges for the month of March 2010 – TRUSTEE MAGGARD HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD – RECEIVED AND FILED

Barnes-Denney – 8 Ayes; 1 Absent – Ratekin

PUBLIC COMMENTS

34. 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

35. Receive presentation from Lee Wanie and Michael Bishopp, BlackRock, Inc., on the following topics:
- KCERA product performance review including discussion of:
 - Q-T-D, Y-T-D, annual and since inception for the account
 - Key factors which have driven these results in the account over the past twelve months
 - Discussion of Portfolio manager decision making process with respect to signal/factor exposures and signal/factor weights under new approach where portfolio managers have accountability for product success and direction
 - Other presentation topics to discuss with the Board, only if meaningful:
 - Recent organizational and/or key personnel changes within the Scientific Active Equity team
 - 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

LEE WANIE AND MICHAEL BISHOPP, BLACKROCK, INC., HEARD;
CHAIRMAN BRIGGS HEARD; TRUSTEE BARNES HEARD; EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD;

RECEIVED PRESENTATION

Frapwell-Denney – 8 Ayes; 1 Absent – Ratekin

36. Discussion and appropriate action on the 2009 Asset/Liability Study, presented by Eileen Neill, Wilshire Associates, Inc. and the Investment Committee – EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD; CHAIRMAN BRIGGS HEARD; TRUSTEES BARNES, DENNEY, FRAPWELL, FRANNEY AND KAUFMAN HEARD; SHERYL LAWRENCE, KCERA FISCAL OFFICER, HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED; APPROVED ALTERNATIVE TO CURRENT POLICY ASSET ALLOCATION AS FOLLOWS: U.S. STOCK 22.5%, GLOBAL EX-US STOCK 22.5%, PRIVATE MARKETS 10.0%, LIQUID AND CASH EQUIVALENTS 3.0%, FIXED INCOME 13.0%, HIGH YIELD BOND, 4.0%, REAL ASSETS 15.0%, HEDGE FUNDS 10.0%

Barnes-Frapwell – 8 Ayes; 1 Absent – Ratekin

37. Receive report on number of withdrawal payments issued by KCERA between 2006 through 2010 presented by Executive Director Anne Holdren – EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD; TRUSTEES FRAPWELL AND JEFFERSON HEARD

RECEIVED AND FILED; SEND ADDITIONAL LETTER TO THE INDIVIDUALS RECEIVING A WITHDRAWAL PAYMENT DURING THE TIME CATHERINE CONTRERAS WAS EMPLOYED TO CONFIRM THEY RECEIVED THEIR PAYMENT

Jefferson-Frapwell – 8 Ayes; 1 Absent – Ratekin

38. Report from KCERA Management –

Monthly Activity Summary			
Membership			
	<u>2009</u>	<u>Current</u>	
Active	8,801	8683	
Retirees/Beneficiaries	5,908	5968	
Deferred/Reciprocal	1,080	1087	
Total Membership	15,789	15,738	
Membership Activities			
	<u>2009</u>	<u>April 2010</u>	<u>Year To Date</u>
New Actives	477	20	128
New Retirees	418	29	108
New Beneficiaries	65	6	28
Withdrawals			
Vested	29	1	6
Non-Vested	323	15	63
Member Services			
	<u>2009</u>	<u>April 2010</u>	<u>Year To Date</u>
Service Credit			
Calculated	876	97	331
Lump Sum	322	24	87
Payroll Deductions	89	5	23
Retirement Estimates	343	2	54

39. Report from County Counsel – NONE

40. Report from Committee Chairs:

- A. Audit/Actuarial Committee – JUNE 30, 2010; JULY 15, 2010
- B. Budget Committee – JUNE 7, 2010
- C. Human Resources Committee – MAY 27, 2010
- D. Information Technology Committee – NONE
- E. Investment Committee – MEETING FOLLOWED BOARD
- F. KCERA Property Inc. – NONE

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

ADJOURN TO EXECUTIVE SESSION

Denney-Frapwell – 8 Ayes; 1 Absent – Ratekin

EXECUTIVE SESSION

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

42. ITEM 42A and 42B WERE APPROVED ON CONSENT AND WITHDRAWN FROM EXECUTIVE SESSION.

43. CONFERENCE WITH LEGAL COUNSEL – ACTUAL LITIGATION (Subdivision (a) of California Government Code Section 54956.9)
Name of Case: County of Kern and Kern County Employees' Association v. Fireman's Fund Insurance Company of Ohio, Hartford Casualty Insurance Co., Green-Hazel and Associates, Inc., Business Professional Insurance Associates, Inc. and Does 1 - 50, Los Angeles County Superior Court Case No. BC 406674

RETURN TO REGULAR SESSION

Frapwell-Denney– 8 Ayes; 1 Absent – Ratekin

ADJOURNED TO WEDNESDAY, June 23, 2010 AT 8:30 A.M.

Frapwell-Jefferson – 8 Ayes; 1 Absent – Ratekin

Secretary, Board of Retirement

Chairman, Board of Retirement