

SUMMARY OF PROCEEDINGS

BOARD OF RETIREMENT – COUNTY OF KERN

1115 Truxtun Avenue
Bakersfield, California

Investment Board Meeting
Wednesday July 14, 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

Absent: Hughes, Maggard, Alternate Kaufman, 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:

- June 2, 2010, Special Board
- June 7, 2010, Budget Committee
- June 9, 2010, Budget Committee Continued
- June 23, 2010, Regular Board
- June 30, 2010, Human Resources Committee

RECEIVED AND FILED

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

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

- The Northern Trust Company

RECEIVED AND FILED

Frapwell-Jefferson – 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

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

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

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

- *5. Monthly report of KCERA credit card charges for the month of June 2010 – RECEIVED AND FILED

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

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

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

- *7. Semi-annual over and underpayment adjustments reports from January 1, 2010 to June 30, 2010 – RECEIVED AND FILED

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

- *8. Notice of due diligence meeting in Portland, Oregon with Columbia Management Advisors on August 4 and 5, 2010 – RECEIVED AND FILED; APPROVED ATTENDANCE OF TRUSTEES NORMAN BRIGGS AND PHIL FRANEY AND EXECUTIVE DIRECTOR ANNE M. HOLDREN

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

- *9. Letter dated June 30, 2010 from Executive Director Anne M. Holdren to General Services, County of Kern, to request extension of lease for office space at 1115 Truxtun Avenue, Bakersfield, CA beginning July 1, 2010 - RECEIVED AND FILED

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

- *10. Letter dated July 1, 2010 from Jeff R. Frapwell, Assistant County Administrative Office for General Services pertaining to lease extension for office space at 1115 Truxtun Avenue, Bakersfield, CA in the amount of \$6,500 per month beginning July 1, 2010, for holdover period not to exceed six (6) months, without prior approval from the County - RECEIVED AND FILED; APPROVED

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

- *11. Letter dated June 15, 2010 from Marcia Fritz, Vice President of the California Foundation for Fiscal Responsibility, requesting information through the Public Records Act – RECEIVED AND FILED

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

- *12. Letter dated June 30, 2010 from Executive Director Anne M. Holdren to Marcia Fritz, Vice President of the California Foundation for Fiscal Responsibility acknowledging the request for Public Records dated June 15, 2010 – RECEIVED AND FILED

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

- *13. BlackRock, International Alpha Tilts, Performance Report, May 2010 – RECEIVED AND FILED

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

- *14. BlackRock, International Equity, Performance Report, May 2010 – RECEIVED AND FILED

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

- *15. BlackRock, Large Cap US Alpha Tilts, Performance Report, May 2010 – RECEIVED AND FILED

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

- *16. Correspondence from Patrick Byrne, Goldman Sachs Asset Management, L.P., dated June 25, 2010 regarding an error in the May 2010 Summary Report – RECEIVED AND FILED

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

- *17. Correspondence from John T. Ferguson, K2 Advisors, dated June 23, 2010, announcing a change to the Fund's underlying structure – RECEIVED AND FILED

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

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

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

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

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

- *20. Correspondence from Alastair Bruce, Pantheon Private Equity, dated July 1, 2010, regarding the completion of the purchase of Pantheon from Russell by Affiliated Managers Group (AMG) – RECEIVED AND FILED

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

- *21. Correspondence from Melissa Moesman on behalf of Andrew Donahue, Pyramis Global Advisors, dated June 28, 2010, regarding the appointment of Andy Matteis Director of Research and Global Head of Fundamental Equity Research – RECEIVED AND FILED

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

- *22. Pyramis Global Advisors, Select International Pool / Select International Small Cap, Monthly Investment Review, May 31, 2010 – RECEIVED AND FILED

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

- *23. KCERA 2010 Strategic Plan as of July 14, 2010 – RECEIVED AND FILED

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

- *24. KCERA Investment Manager Due Diligence Schedule as of July 14, 2010 – RECEIVED AND FILED

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

PUBLIC COMMENTS

25. 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
26. Receive presentation from T. Rowe Price Associates, Inc. as finalist for enhanced index manager as recommended by Wilshire Associates, Inc. and the Investment Committee presented by Jennifer Martin and Kenneth Brooks, T. Rowe Price Associates, Inc. – JENNIFER MARTIN AND KENNETH BROOKS, T. ROWE PRICE ASSOCIATES, INC., HEARD; TRUSTEE BARNES HEARD

RECEIVED PRESENTATION

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

27. Receive presentation from Mellon Capital Management as finalist for equity and fixed income index manager as recommended by Wilshire Associates, Inc. and the Investment Committee presented by Tom Dion, Richard Brown, Lowell Bennett, Mellon Capital Management – RICHARD BROWN AND LOWELL BENNETT, MELON CAPITAL MANAGEMENT, HEARD; CHAIRMAN BRIGGS HEARD; TRUSTEES BARNES AND MAINLAND HEARD; EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD

RECEIVED PRESENTATION

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

28. Discussion and appropriate action on options within existing statute to modify Supplemental Retirement Benefits Reserve (SRBR) usage for supplemental benefits including a ten-year projection on funding ratio, employer contribution rates and contributions and SRBR balance if the FY 2010-11, 2.0% COLA were funded from the SRBR presented by Daniel Wade, Milliman, Inc. and Michael Toumanoff, Manatt, Phelps & Phillips, LLP – DANIEL WADE, MILLIMAN, INC., HEARD; MICHAEL TOUMANOFF, MANATT, PHELPS & PHILLIPS, INC., HEARD; CHAIRMAN BRIGGS HEARD; TRUSTEES BARNES, DENNEY, FRANNEY AND FRAPWELL HEARD; ERIC NESBITT, PUBLIC, HEARD; DEPUTY COUNTY COUNSEL MARTIN LEE HEARD; EXECUTIVE DIRECTOR ANNE M. HEARD

MOTION MADE TO WAIVE ATTORNEY-CLIENT PRIVILEGE REGARDING THE DOCUMENT DATED JULY 8, 2010 AND PRODUCED BY MICHAEL TOUMANOFF, MANATT, PHELPS & PHILLIPS

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

RECEIVED AND FILED

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

28. CONTINUED:

REFERRED REVIEW OF INTEREST CREDITING POLICY WITH A FOCUS ON THE NEGATIVE INTEREST SECTION AND DETERMINATION OF FREQUENCY FOR REVIEWING USAGE OF SRBR FUNDS FOR COLA PAYMENT TO AUDIT ACTUARIAL COMMITTEE

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

5 MINUTE BREAK AT 10:35 A.M.

TRUSTEE JEFFERSON LEFT AT 10:35 A.M.

TRUSTEE RATEKIN LEFT AT 11:00 A.M.

29. Discussion and appropriate action concerning KCERA's First Quarter 2010 investment performance, presented by Eileen Neill, Wilshire Associates, Inc. – EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD; CHAIRMAN BRIGGS HEARD; TRUSTEE BARNES AND DENNEY HEARD; EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD

RECEIVED AND FILED

Barnes-Frapwell – 5 Ayes; 4 Absent – Hughes, Jefferson, Maggard, Ratekin

30. Discussion and appropriate action on KCERA Manager Watch List recommendations to terminate Goldman Sachs Asset Management as manager of core plus and high yield fixed income mandate and extend LaSalle Investment Management as manager of the REITS on the watch list for a period of no less than one year presented by Eileen Neill, Wilshire Associates, Inc. –

RECEIVED AND FILED; APPROVED TERMINATION OF GOLDMAN SACHS ASSET MANAGEMENT AS MANAGER OF CORE PLUS AND HIGH YIELD MANDATES AND EXTENDED LASALLE INVESTMENT MANAGEMENT AS MANAGER OF REITS MANDATE ON THE WATCH LIST

Frapwell-Denney – 5 Ayes; 4 Absent – Hughes, Jefferson, Maggard, Ratekin

31. Recommendation for hiring Mellon Capital Management as equity and fixed income index manager and T. Rowe Price Associates, Inc. for new enhanced index managers presented by Eileen Neill, Wilshire Associates, Inc. and the Investment Committee – EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD; TRUSTEE BARNES HEARD

RECEIVED AND FILED; APPROVED; DIRECTED STAFF TO COMMENCE CONTRACT NEGOTIATIONS

Frapwell-Barnes – 5 Ayes; 4 Absent – Hughes, Jefferson, Maggard, Ratekin

32. Discussion and appropriate action on re-visit of high yield candidates presented by Eileen Neill, Wilshire Associates, Inc. and the Investment Committee – EILEEN NEILL, WILSHIRE ASSOCIATES, INC., HEARD; TRUSTEE BARNES HEARD

RECEIVED AND FILED; APPROVED FINALISTS AEGON AND NEUBERGER BERMAN FOR HIGH YIELD MANAGERS AND CONDUCTING DUE DILIGENCE; RATIFIED EVALUATION PERIOD

Barnes-Mainland – 5 Ayes; 4 Absent – Hughes, Jefferson, Maggard, Ratekin

33. Discussion and appropriate action on AXA Rosenberg evaluation and acknowledgement of changes in the organization and ownership presented by Eileen Neill, Wilshire Associates, Inc. –

RECEIVED AND FILED; APPROVED TERMINATION OF AXA ROSENBERG AS SMALL CAP EQUITY MANAGER

Frapwell-Denney – 5 Ayes; 4 Absent – Hughes, Jefferson, Maggard, Ratekin

34. Discussion and appropriate action on course of action for replacement of the Board of Retirement's legal counsel presented by Executive Director Anne M. Holdren and Human Resources Committee – EXECUTIVE DIRECTOR ANNE M. HOLDREN HEARD; TRUSTEES DENNEY, FRANEY, FRAPWELL AND MAINLAND HEARD; DEPUTY COUNTY COUNSEL MARTIN LEE HEARD

RECEIVED AND FILED; APPROVED JOB DESCRIPTION, DETERMINE SALARY RANGE; AND DIRECT STAFF TO ESTABLISH POSITION AND INITIATE RECRUITMENT

Frapwell-Denney – 4 Ayes; 1 –No; 4 Absent – Hughes, Jefferson, Maggard, Ratekin; MOTION FAILED

RECEIVED AND FILED; REFERRED TO STAFF TO DEVELOP A FLEXIBLE CLASSIFICATION FOR RETIREMENT GENERAL COUNSEL I AND II, RANGES 73.6 AND 75.9 RESPECTIVELY; REFER JOB DESCRIPTION REVIEWS TO THE HUMAN RESOURCES COMMITTEE; AUTHORIZED ESTABLISHING POSITION AND INITIATING RECRUITMENT SUBJECT TO APPROVAL BY THE HUMAN RESOURCES COMMITTEE

Frapwell-Mainland – 5 Ayes; 4 Absent – Hughes, Jefferson, Maggard, Ratekin

35. Report from KCERA Management – CATHERINE CONTRERAS WAS SENTENCED TO 9 MONTHS IN JAIL AND ORDERED TO PAY RESTITUTION FOR HER CONVICTION IN THE FRAUD CASE INVOLVING A KCERA MEMBER; INVESTMENT SUMMIT WILL BE HELD ON SEPTEMBER 8 IN THE MULTIPURPOSE ROOM OF THE COUNTY ADMINISTRATION BUILDING.

35. CONTINUED:

Monthly Activity Summary

Membership	<u>2009</u>	<u>Current</u>	
Active	8,801	8634	
Retirees/Beneficiaries	5,908	6033	
Deferred/Reciprocal	1,080	1087	
Total Membership	15,789	15,754	
Membership Activities	<u>2009</u>	<u>June 2010</u>	<u>Year To Date</u>
New Actives	477	45	193
New Retirees	418	32	186
New Beneficiaries	65	2	35
Withdrawals			
Vested	29	1	7
Non-Vested	323	15	98
Member Services	<u>2009</u>	<u>June 2010</u>	<u>Year To Date</u>
Service Credit			
Calculated	876	108	502
Lump Sum	322	53	184
Payroll Deductions	89	6	39
Retirement Estimates	343	70	203

36. Report from County Counsel – NONE

37. Report from Committee Chairs:

A. Audit/Actuarial Committee – MEETING JULY 15, 2010

B. Budget Committee – NONE

C. Human Resources Committee – MEETING JULY 21, 2010

D. Information Technology Committee – MEETING JULY 15, 2010

E. Investment Committee – FOLLOWING BOARD

F. KCERA Property Inc. – MEETING JULY 27, 2010

BOARD MEMBER ANNOUNCEMENTS AND REPORTS

38. 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

Frapwell-Denney – 5 Ayes; 4 Absent – Hughes, Jefferson, Maggard, Ratekin

EXECUTIVE SESSION

39. 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

40. CONFERENCE WITH LEGAL COUNSEL – POTENTIAL LITIGATION
(Subdivision (c) of California Government Case Section 54956.9)

RETURN TO REGULAR SESSION

Denney-Frapwell – 5 Ayes; 4 Absent – Hughes, Jefferson, Maggard, Ratekin

ADJOURNED AT 12:34 P.M. TO WEDNESDAY, July 25, 2010 AT 8:30 A.M.

Frapwell-Denney – 5 Ayes; 4 Absent – Hughes, Jefferson, Maggard, Ratekin

Secretary, Board of Retirement

Chairman, Board of Retirement