

SUMMARY OF PROCEEDINGS

BOARD OF RETIREMENT – COUNTY OF KERN

11125 River Run Blvd.
Bakersfield, California

Board of Retirement Meeting
December 11, 2019

8:32 a.m.

Board Members: Couch, DeMario (Alternate), Dodgin, Franey, Gonzalez, Jefferson, Chair Kaufman, Vice-Chair Kratt, Skidmore, (Safety Alternate – Vacant), (9th member – Vacant)

Roll Call: Couch, DeMario, Dodgin, Franey, Gonzalez, Kaufman, Kratt

Absent: Jefferson, Skidmore

Salute to Flag – TRUSTEE PHIL FRANEY

Moment of Silence

NOTE: The vote is displayed in bold below each item. For example, Kratt-Dodgin denotes Trustee Rick Kratt made the motion and Trustee Dustin Dodgin seconded the motion.

- *1. Application for service-connected disability pension benefits for Donald Barnett, FIRE (Safety) –

VICE-CHAIR RICK KRATT REQUESTED THIS ITEM BE REMOVED FROM CONSENT AGENDA

Call for Public Comment on Executive Session Item 1 – HEARD OUT OF ORDER

DARRYL WHISNAND, RETIRED BATTALION CHIEF, KERN COUNTY FIRE DEPARTMENT, HEARD; RAY RAMIREZ, BATTALION CHIEF, KERN COUNTY FIRE DEPARTMENT, HEARD; DAVE NELSON, PRESIDENT OF KERN COUNTY FIRE FIGHTERS' ASSOCIATION, HEARD

CHAIR JORDAN KAUFMAN HEARD; TRUSTEE DUSTIN DODGIN HEARD

*2. Summary of proceedings of the following meetings:

- November 6, 2019 Board of Retirement
- November 6, 2019 Investment Committee

RECEIVED AND FILED

Couch-Dodgin – 6 Ayes

*3. Monthly report from the KCERA office on members retired from service – RATIFIED

Couch-Dodgin – 6 Ayes

*4. Monthly report from the KCERA office on deceased retirees – RECEIVED AND FILED

Couch-Dodgin – 6 Ayes

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

Couch-Dodgin – 6 Ayes

*6. Securities Lending Earnings Summary Report for the period October 1-31, 2019 from Deutsche Bank – RECEIVED AND FILED

Couch-Dodgin – 6 Ayes

*7. KCERA asset allocation, budget status, cash flow position and investment fees status report for the month of October 2019 – RECEIVED AND FILED

Couch-Dodgin – 6 Ayes

*8. Annual fee report, fiscal year 2018-2019 – RECEIVED AND FILED

Couch-Dodgin – 6 Ayes

*9. Annual On-Site Due Diligence Schedule – RECEIVED AND FILED

Couch-Dodgin – 6 Ayes

*10. Annual Investment Manager Compliance Report, fiscal year 2018-2019 – RECEIVED AND FILED

Couch-Dodgin – 6 Ayes

- *11. Letters from Auditor-Controller-County Clerk Mary B. Bedard, CPA, dated October 7, 2019 and November 25, 2019, regarding the Certificate of Results of the Retirement Election held November 19, 2019 – RECEIVED AND FILED

Couch-Dodgin – 6 Ayes

- *12. Letter from Executive Director Dominic Brown, dated December 17, 2019, to the Kern County Board of Supervisors regarding Board of Retirement Election for Third, Seventh Alternate, Eighth and Eighth Alternate Members – RECEIVED AND FILED

Couch-Dodgin – 6 Ayes

- *13. Letter from Executive Director Dominic Brown, dated December 17, 2019, to the Kern County Board of Supervisors regarding revisions to KCERA Board of Retirement CERL Regulations (formerly Bylaws) – RECEIVED AND FILED

Couch-Dodgin – 6 Ayes

- *14. Public Pension Standards Award for Funding and Administration 2019 received from the Public Pension Coordinating Council (PPCC) – RECEIVED AND FILED

Couch-Dodgin – 6 Ayes

- *15. Invitation from Institutional Limited Partners Association (ILPA) to staff to attend the ILPA Institute Private Equity Introduction either January 14-15, 2020 in San Francisco, California or February 21, 2020 in Los Angeles – APPROVED ATTENDANCE OF GENERAL COUNSEL JENNIFER ZAHRY

Couch-Dodgin – 6 Ayes

16. PUBLIC COMMENTS:

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 for the record prior to making a presentation – NONE

FINANCE MATTERS

17. Discussion and appropriate action on the auditor's report to management, the draft KCERA audited financial statements and the draft Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2019, presented by Tim Rawal and Jason Ostroski, CliftonLarsonAllen LLP – JASON OSTROSKI, CLIFTONLARSONALLEN LLP, HEARD; CHAIR JORDAN KAUFMAN HEARD

TRUSTEE RICK KRATT LEFT AT 8:45 A.M.

APPROVED AUDITOR REPORTS, KCERA AUDITED FINANCIAL STATEMENTS AND COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Dodgin-Franey – 6 Ayes; 1 Absent (Kratt)

Trustee John DeMario voted in place of Trustee Rick Kratt

18. Response to referral to establish financial criteria and measurement standards to determine whether the Hospital Authority is sufficiently capable financially to fully assume the obligation to make all employer contributions for its New Employees (those hired after July 1, 2018) presented by Executive Director Dominic Brown and the Finance Committee – CHAIR JORDAN KAUFMAN HEARD; TRUSTEES PHIL FRANNEY AND JUAN GONZALEZ HEARD; EXECUTIVE DIRECTOR DOMINIC BROWN HEARD

TRUSTEE RICK KRATT RETURNED AT 8:56 A.M.

PUBLIC COMMENT: ELSA MARTINEZ, COUNTY ADMINISTRATIVE OFFICE, HEARD; TYLER WHITEZELL, KERN COUNTY HOSPITAL AUTHORITY, HEARD

APPROVED PLAN OF PARTICIPATION AND FIRST AMENDMENT TO EMPLOYER PARTICIPATION AGREEMENT

Franey-Couch – 6 Ayes

19. Discussion and appropriate action on review of the draft actuarial valuation as of June 30, 2019, recommended employer and employee contribution rates for fiscal year 2020-2021, and related reports presented by Paul Angelo and John Monroe, Segal Consulting – JOHN MONROE AND PAUL ANGELO, SEGAL CONSULTING, HEARD; CHAIR JORDAN KAUFMAN HEARD; VICE-CHAIR RICK KRATT HEARD; TRUSTEES JOHN DEMARIO AND DUSTIN DODGIN HEARD; EXECUTIVE DIRECTOR DOMINIC BROWN HEARD

TRUSTEE LAUREN SKIDMORE ARRIVED AT 9:02 A.M.

PUBLIC COMMENT: ELSA MARTINEZ, COUNTY ADMINISTRATIVE OFFICE, HEARD

RECEIVED AND FILED; APPROVED THE ACTUARIAL VALUATION, EMPLOYER AND EMPLOYEE CONTRIBUTION RATES, AND RELATED REPORTS FOR FISCAL YEAR 2020-21 RECOMMENDED BY ACTUARY; REFERRED TO BOARD OF SUPERVISORS FOR ADOPTION

Dodgin-Franey – 7 Ayes

ADMINISTRATIVE MATTERS

20. Update regarding Service Credit for Part-Time Employees, presented by Executive Director Dominic Brown and General Counsel Jennifer Zahry – TRUSTEE DAVID COUCH HEARD; EXECUTIVE DIRECTOR DOMINIC BROWN HEARD

APPROVED STAFF RECOMMENDATION

Dodgin-Couch – 7 Ayes

21. Slate of nominees for Chair and Vice-Chair for the calendar year 2020 presented by Nominating Committee Chair – CHAIR JORDAN KAUFMAN HEARD; VICE-CHAIR RICK KRATT HEARD; EXECUTIVE DIRECTOR DOMINIC BROWN HEARD

ELECTED TRUSTEE RICK KRATT AS CHAIR AND TRUSTEE DUSTIN DODGIN AS VICE-CHAIR FOR CALENDAR YEAR 2020

Couch-Gonzalez – 7 Ayes

THIS ITEM HEARD OUT OF ORDER

Call for Public Comment on Executive Session Item 33 – NONE

Executive Session

33. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9 based on facts and circumstances that might result in litigation against KCERA but which KCERA believes are not yet known to a potential plaintiff or plaintiffs, which facts and circumstances need not be disclosed. (Cal. Gov. Code section 54956.9(e)(1)). (Number of potential cases: unknown).

1. PUBLIC EMPLOYMENT (pursuant to Government Code §54957)
Application for service-connected disability pension benefits:

BARNETT, Donald FIRE (Safety)

TRUSTEE JOHN DEMARIO LEFT AT 9:50 A.M.

Return to Public Session/Report of Executive Session Actions, if applicable

ITEM 33 – NO REPORTABLE ACTION

ITEM 1 – REFERRAL TO HEARING OFFICER

Franey-Couch – 5 Ayes; 2 Noes (Dodgin; Kratt)

INVESTMENT MATTERS

THIS ITEM HEARD OUT OF ORDER

Motion to consider non-agenda item 25a – CHAIR JORDAN KAUFMAN HEARD; EXECUTIVE DIRECTOR DOMINIC BROWN HEARD; GENERAL COUNSEL JENNIFER ZAHRY HEARD

APPROVED ADDITION OF NON-AGENDA ITEM 25A FOR CONSIDERATION BY THE BOARD OF RETIREMENT

Dodgin-Couch – 7 Ayes

- 25a. Discussion and appropriate action on hedge fund investment presented by Spencer Edge, Albourne America, and Chief Investment Officer Daryn Miller, CFA – SPENCER EDGE, ALBOURNE AMERICA, HEARD; CHAIR JORDAN KAUFMAN HEARD; TRUSTEES DUSTIN DODGIN AND JUAN GONZALEZ HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

APPROVED INVESTMENT IN ADDITIONAL HEDGE FUND MANAGER IN THE HEDGE FUND PORTFOLIO

Dodgin-Gonzalez – 7 Ayes

22. Discussion and appropriate action on emerging market debt recommendation presented by Chief Investment Officer, Daryn Miller, CFA, Scott Whalen, CFA, Verus, and the Investment Committee – SCOTT WHALEN, CFA, VERUS, HEARD; TRUSTEE PHIL FRANNEY HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

TRUSTEE DAVID COUCH LEFT AT 12:05 P.M.

TRUSTEE DUSTIN DODGIN LEFT AT 12:05 P.M.

APPROVED REDEMPTION FROM GRAMERCY EMERGING MARKETS DEBT ASSET ALLOCATION STRATEGY AND INVESTMENT IN EMERGING MARKET DEBT PASSIVE STRATEGY

Franey-Skidmore – 5 Ayes

23. Discussion and appropriate action on passive emerging market debt presented by Scott Whalen, CFA, Verus, Chief Investment Officer Daryn Miller, CFA, and the Investment Committee – SCOTT WHALEN, CFA, VERUS, HEARD; CHAIR JORDAN KAUFMAN HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

APPROVED INVESTMENT IN THE PIMCO PASSIVE EMERGING MARKET DEBT STRATEGY

Franey-Gonzalez – 5 Ayes

24. Discussion and appropriate action on emerging market equity passive recommendation presented by Chief Investment Officer, Daryn Miller, CFA, Scott Whalen, CFA, Verus, and the Investment Committee – VICE-CHAIR RICK KRATT HEARD; TRUSTEE PHIL FRANNEY HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

APPROVED ADDITION OF THE MELLON DB SL EMERGING MARKETS STOCK INDEX FUND TO THE EQUITY ALLOCATION

Franey-Gonzalez – 5 Ayes

25. Discussion and appropriate action on opportunistic investment presented by Chief Investment Officer Daryn Miller, CFA, and the Investment Committee – SCOTT WHALEN, CFA, VERUS, HEARD; CHAIR JORDAN KAUFMAN HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

APPROVED \$20MM INVESTMENT IN THE DB INVESTORS FUND IV, L.P. ¹

Gonzalez-Franey – 5 Ayes

STAFF/COMMITTEE REPORTS & NEW BUSINESS

26. Report from Executive Director

EXECUTIVE DIRECTOR DOMINIC BROWN REPORTED THE FOLLOWING:

- OPERATIONAL ACTIVITIES OF ADMINISTRATIVE SERVICES, ACCOUNTING AND REPORTING SERVICES, MEMBER SERVICES AND INFORMATION TECHNOLOGY SERVICES DIVISIONS FOR NOVEMBER 2019
- UPDATE ON INCOMING BOARD OF RETIREMENT TRUSTEES
- UPDATE ON CURRENT KCERA RECRUITMENTS AND HIRING
- AUDIT RFP INITIATED

27. Report from Chief Investment Officer

CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, SUBMITTED A REPORT ON THE FOLLOWING:

- INVESTMENT ACTIVITIES, INITIATIVES AND PORTFOLIO OPPORTUNITIES

28. Report from General Counsel

GENERAL COUNSEL JENNIFER ZAHRY SUBMITTED A REPORT ON THE FOLLOWING:

- LEGAL UNIT OUTREACH
- UPDATE ON PENDING APPELLATE COURT DECISIONS
- REPORT ON METRICS TO BE PRESENTED IN JANUARY 2020

¹ Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code §6254.26, §6255, and §54957.5.

29. Report from Committee Chairs:
- a. Administrative Committee – GONZALEZ – NONE
 - b. Finance Committee – SKIDMORE – NONE
 - c. Investment Committee – DODGIN – NONE
 - d. KCERA Property, Inc. – KRATT – NONE

BOARD MEMBER ANNOUNCEMENTS OR REPORTS

30. On their own initiative, Board members may make a brief announcement or a brief report on their own activities – NONE
31. Presentation of plaque honoring Bob Jefferson, Trustee, for his years of dedicated service to the Kern County Employees' Retirement Association Board of Retirement – CHAIR JORDAN KAUFMAN HEARD

MADE PRESENTATION

32. Presentation of plaque honoring Jordan Kaufman, Chair, for his service to the Kern County Employees' Retirement Association Board of Retirement as Chair – CHAIR JORDAN KAUFMAN HEARD; VICE-CHAIR RICK KRATT HEARD

MADE PRESENTATION

33. ADJOURNED – 12:39 P.M.



Secretary, Board of Retirement



Chair, Board of Retirement

