

Executive Team:

Dominic D. Brown, CPA, CFE
Chief Executive Officer

Daryn Miller, CFA
Chief Investment Officer

Jennifer Zahry, JD
Chief Legal Officer

Matthew Henry, CFE
Chief Operations Officer



Board of Retirement:

Phil Franey, Chair
David Couch, Vice-Chair
Jordan Kaufman
Juan Gonzalez
Joseph D. Hughes
John Sanders
Rick Kratt
Tyler Whitezell
Dustin Contreras, Alternate
Chase Nunneley, Alternate
Robb Seibly, Alternate
3rd Member (Vacant)

January 31, 2024

Members, Board of Retirement
Employee Bargaining Units
Requesting News Media
Other Interested Parties

Subject: Meeting of the Kern County Employees' Retirement Association Investment Committee

Ladies and Gentlemen:

A meeting of the Kern County Employees' Retirement Association Investment Committee will be held on Monday, February 5, 2024 at 10:00 a.m. in the KCERA Boardroom, 11125 River Run Boulevard, Bakersfield, California, 93311.

How to Participate: Listen to or View the Board Meeting

To listen to the live audio of the Board meeting, please dial one of the following numbers (for best audio a landline is recommended) and enter ID# 896 7123 0849

- (669) 900-9128; U.S. Toll-free: (888) 788-0099 or (877) 853-5247

To access live audio and video of the Board meeting, please use the following:

- <https://us02web.zoom.us/j/89671230849?pwd=clRydEtVdFk1M2Q5dVRqd2ZMSDF4UT09>
- Passcode: 154279

Items of business will be limited to the matters shown on the attached agenda. If you have any questions or require additional service, please contact KCERA at (661) 381-7700 or send an email to administration@kcera.org.

Sincerely,

Dominic D. Brown
Chief Executive Officer

Attachments

AGENDA:

All agenda item supporting documentation is available for public review on KCERA's website at www.kcera.org following the posting of the agenda. Any supporting documentation that relates to an agenda item for an open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available for review at the same location.

**AMERICANS WITH DISABILITIES ACT
(Government Code §54953.2)**

Disabled individuals who need special assistance to listen to and/or participate in the meeting of the Board of Retirement may request assistance by calling (661) 381-7700 or sending an email to administration@kcera.org. Every effort will be made to reasonably accommodate individuals with disabilities by making meeting materials and access available in alternative formats. Requests for assistance should be made at least two (2) days in advance of a meeting whenever possible.

CALL TO ORDER

ROLL CALL (IN PERSON)

AB 2449 REMOTE APPEARANCE(S)

Items 1 and/or 2 withdrawn from agenda if no trustees will have a need to appear via teleconference:

The first two items on the agenda are reserved for trustees who have a need to appear via teleconference due to a "just cause" need or an "emergency circumstance." Trustees who have notified this Committee before agenda-posting will be called upon and will provide a general description of their need to attend via teleconference as allowed by law. Trustees who were not able to notify the Committee in advance of posting and have a need to attend via teleconference will state their notification or request when called upon to do so. All trustees appearing via teleconference will need to disclose any adult person(s) present in the room of their remote location and their relationship to such person(s). Trustees appearing remotely are reminded to keep their camera on throughout the meeting.

1. JUST CAUSE CIRCUMSTANCE(S):

- a) The following Trustee(s) have notified the Committee of a "Just Cause" to attend this meeting via teleconference. (See Government Code § 54953).
 - NONE
- b) Call for Trustee(s) who wish to notify the Committee of a "Just Cause" to attend this meeting via teleconference. (See Government Code § 54953).

2. EMERGENCY CIRCUMSTANCE(S):

a) The following Trustee(s) have requested the Committee approve their attendance of this meeting via teleconference due to an “Emergency Circumstance.” (See Government Code § 54953).

- NONE

b) Call for Trustee(s) requesting the Committee approve their attendance of this meeting via teleconference due to an “Emergency Circumstance.” (See Government Code § 54953).

TAKE ACTION ON REQUEST(S) FOR REMOTE APPEARANCE

CONSENT MATTERS

All items listed with an asterisk (*) are considered to be routine and non-controversial by staff and will be approved by one motion if no member of the Committee or public wishes to comment or ask questions. If comment or discussion is desired by anyone, the item will be removed from the consent agenda and will be considered in the listed sequence with an opportunity for any member of the public to address the Committee concerning the item before action is taken. Staff recommendations are shown in caps after each item.

3. [Discussion and appropriate action on private market fund recommendation](#) presented by Maria Surina, Investment Director, Cambridge Associates¹, and Chief Investment Officer Daryn Miller, CFA – RECOMMEND THE BOARD OF RETIREMENT APPROVE UP TO \$50MM COMMITMENT TO JUNIPER CAPITAL; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW
4. [Response to Board referral directing Staff to develop and propose parameters and processes to delegate certain investment decisions to the Chief Investment Officer](#) presented by Governance Consultants Julie Becker and David Forman, Aon, Chief Executive Officer Dominic Brown, and Chief Investment Officer Daryn Miller, CFA – RECOMMEND THE BOARD OF RETIREMENT APPROVE PROPOSED PARAMETERS, DIRECT STAFF TO UPDATE POLICIES ACCORDINGLY AND RETURN TO THE INVESTMENT COMMITTEE FOR FURTHER REVIEW

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 § 7928.710, § 7922.000, and §54957.5.

5. [Discussion and appropriate action on hedge fund recommendation presented by Spencer, Albourne America², and Chief Investment Officer Daryn Miller, CFA, – RECOMMEND THE BOARD OF RETIREMENT APPROVE A\) \\$65MM INVESTMENT IN ELLIOTT ASSOCIATES, L.P. FUND, AND B\) TERMINATE SCULPTOR DOMESTIC PARTNERS II, L.P. FUND; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW](#)

PUBLIC COMMENTS

6. The public is provided the opportunity to comment on agenda items at the time those agenda items are discussed by the Committee. This portion of the meeting is reserved for persons to address the Committee on any matter not on this agenda but under the jurisdiction of the Committee. Committee members may respond briefly to statements made or questions posed. They may ask a question for clarification and, through the Chair, make a referral to staff for factual information or request staff to report back to the Committee at a later meeting. Speakers are limited to two minutes. Please state your name for the record prior to making a presentation.

REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS

7. On their own initiative, Committee members may make a brief announcement, refer matters to staff, subject to KCERA's rules and procedures, or make a brief report on their own activities.
8. Adjournment

² 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 § 7928.710, § 7922.000, and §54957.5.

ALTERNATIVE INVESTMENTS RECORDS

EXEMPT FROM PUBLIC DISCLOSURE

(CA Gov. Code §7928.710)

(CA Gov. Code §7922.000)

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Kern County Employees' Retirement Association

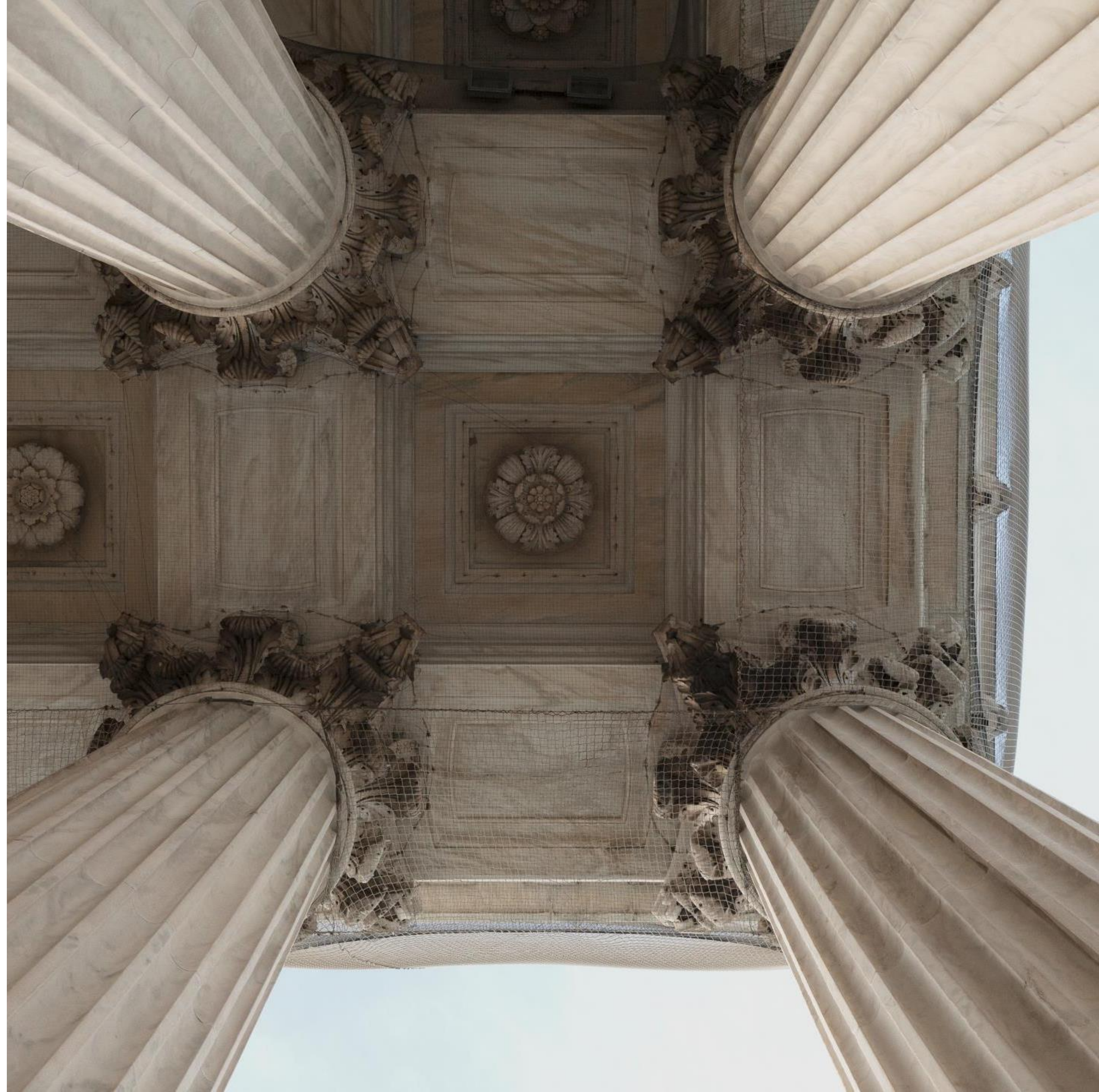
Governance – Proposed Delegation Concept Discussion

Julie Becker, Partner

Benita Falls Harper, Associate Partner

David Forman, Investment Consulting
Analyst

February 5, 2024



Background and Objectives

At the November 1, 2023 Board of Retirement meeting, the delegation of investment duties was discussed, and the matter was referred to the Investment Committee for further development and options for implementation.

This presentation aims to facilitate further discussion regarding considerations related to delegation of authority to hire and terminate investment managers. The Board and Investment Committee set policy around various components to form oversight of the KCERA portfolio, including responsibilities for manager selection and termination.



Review
Delegation
Best Practices
and
Considerations



Parameters of
Authority and
Thresholds



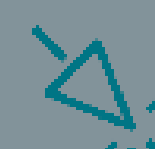
Due Diligence
Process



Initial
Reporting



Ongoing
Monitoring and
Controls



Next Steps

Review of Delegation Best Practices and Considerations

Best Practices and Considerations

Robust process in place for manager selection

- Process and procedures are well-defined
- Clearly defined roles and responsibilities
- Clearly defined investment criteria for investment decisions
- Defined approval process and how final decisions are made

Sufficient resources available to the delegated team

- Sufficient internal resources
- Sufficient external resources

Clearly defined thresholds for delegation of manager selection and termination

- Nominal dollar amounts or percentage of the portfolio
- Amounts are appropriate per investment (asset class, public/private, liquidity)
- For new investments and/or existing investments

Established ongoing reporting requirements

- Established frequency of CIO/Staff updates/reporting
- Level of detail needed
- Types of reports required

Review delegation policy

- Established review process and defined frequency



Potential Benefits of Delegation:

- Streamlines investment decision process
- Enables experts to fulfill duties with more flexibility
- Affords the delegating body (Board) more time to focus on items of higher importance

Parameters of Authority

The CIO, with Investment Staff input and investment consultant involvement, will have the delegated authority to hire and terminate all investment managers.

Investment Staff will have discretion across all asset classes that are part of the Board approved Strategic Asset Allocation, as long as the investments are generally consistent with asset class attributes, such as:

- Goals
- Objectives
- Risks

Discretion is limited by a maximum investment size of a position, defined as a percentage of plan assets.

Key man clause: If the CIO leaves, then staff discretion is halted.



Key Takeaway:

The CIO, with Investment Staff input and investment consultant involvement, will have the delegated authority to hire and terminate all investment managers.

Thresholds for Delegation of Selection and Termination

Delegated authority is limited by a maximum investment size, defined as a percentage of plan assets.

Maximum individual investment or commitment

Asset Class	Threshold Level (% of Plan assets)
Hedge Funds	2%
Private Market Investments	2%
Opportunistic	2%
Co-investments*	1%
All other investments	4%

* Limited to co-investment opportunities where the Plan has previously made an investment with the investment manager.

If an investment exceeds these thresholds, then the current process would be pursued, including a recommendation being brought to the Investment Committee, followed by a recommendation to the full Board for approval.

In addition to the thresholds above, the Investment Policy Statement outlines additional guidelines, including

- Asset allocation ranges
- Investment manager exposure limits
- Risk management guidelines

Due Diligence Process

Due diligence will remain the same as the current process.

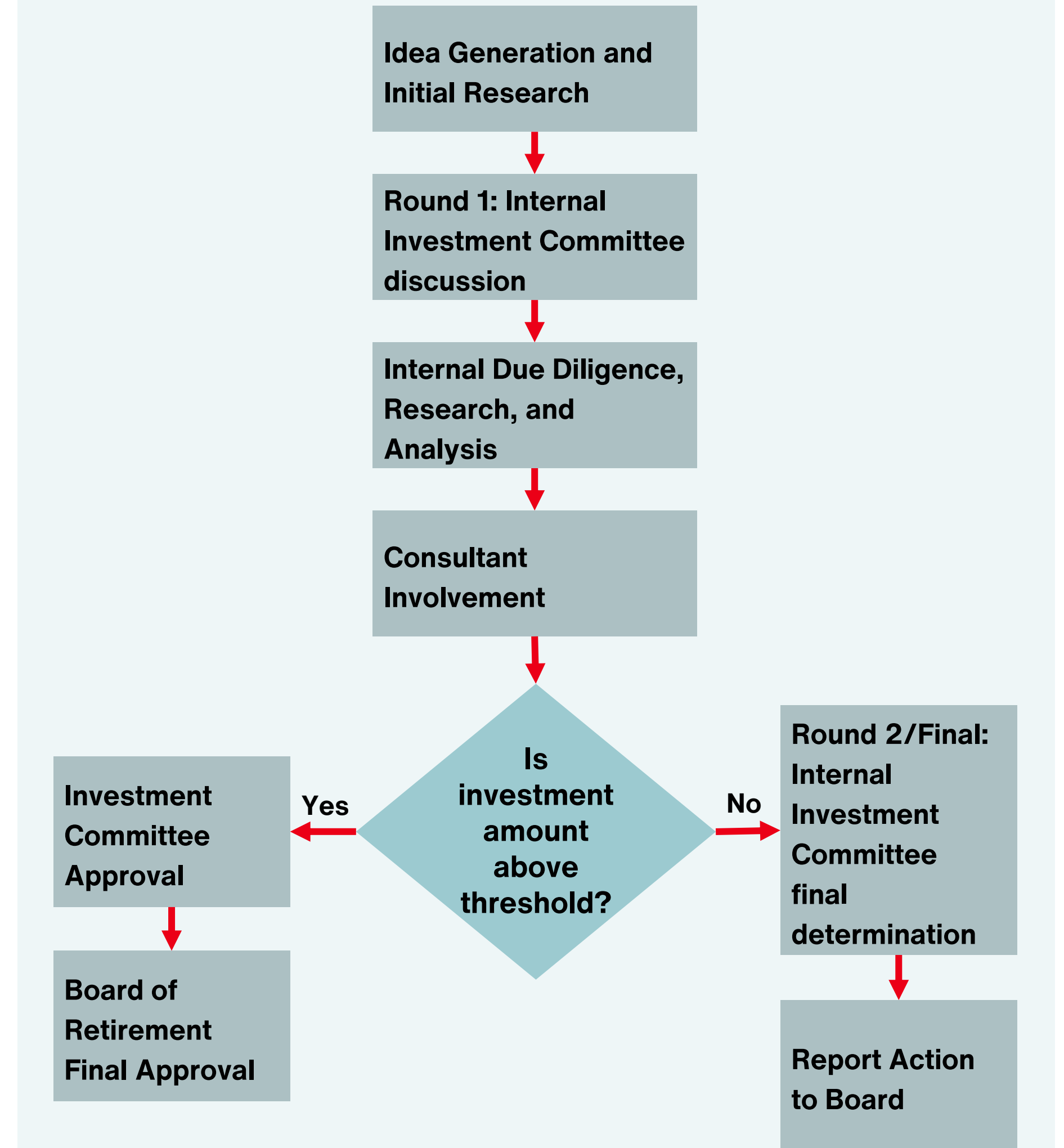
- Investment staff and corresponding investment consultant will perform the due diligence.
- Support for the investment recommendation is required from the corresponding investment consultant.
 - Generally, the corresponding consultant will follow the mapping below, but may deviate in certain situations.

Asset Class	Consultant
Hedge Funds	Albourne
Private Market Investments	Cambridge
Opportunistic	Depends on investment
All other investments	Verus

- Investment memos are prepared by both investment staff and corresponding investment consultant and are retained as part of the internal due diligence record.
- Investments will follow the same the legal review and contracting process that is currently used for all investments, which uses a combination of in-house and external legal counsel.



Investment Decision Process



The Internal Investment Committee, comprised of all members of the investment team, reviews and votes on ideas presented by team members. The meeting is led by the CIO, and the CIO has the final decision making authority.

Initial Reporting to Investment Committee and Board

- Staff will report to Investment Committee and Board at the meetings following completion of contracting and execution of legal documents for new investments and following submission of full redemption or liquidation request for terminations.
- The CIO Report will be used as the formal communication tool to communicate changes in investments. A CIO Report will be implemented at the Investment Committee, where such report does not currently exist.
- For each investment, the following information will be communicated:
 - Fund Name
 - Investment Manager Name
 - Strategy Description
 - Initial Investment Amount or Commitment Amount
 - Asset class and sub-asset class where the investment will be classified within the portfolio
 - Corresponding Consultant



Potential Enhancement:
Implement the CIO Report at the Investment Committee and include additional information on initial investments and terminations.

Ongoing Monitoring and Controls

	Responsible Parties	Informed Parties	Comments	Frequency
Update IPS	Staff/ Consultant	Board/ IC	IPS should reflect updated manager selection process, delegation parameters, and expected reporting for monitoring.	Periodically
IPS Reviews	Staff/ Consultant	Board/ IC	Review delegation policies and revise policies as necessary.	Periodically
Performance Reporting	Consultants	Board/ IC	Consultant presents quarterly or semi-annual performance of the investment program. Each investment is shown on a line-item detail basis.	Quarterly/Semi-annual
Investment Review Meetings	Staff	Staff	Staff seeks to understand performance, attribution, drivers of performance or underperformance, and business and operational considerations.	Quarterly, except for Private market investments which is at least annually
Review of Strategies	Consultants	Staff	Consultants provide a review of the strategies under their coverage.	As Needed



Potential Enhancement:
Cambridge currently presents private market performance semi-annually; the performance report may need to be modified to improve transparency.

Next Steps

1. If the proposed concept receives approval, draft revised policy documents to reflect change; otherwise, make necessary adjustments and resubmit to the Investment Committee.
2. Submit revised policy documents to the Investment Committee for approval. If approved by Investment Committee, submit to the Board for final approval.
3. Implement changes.
4. Per the Board's request, continue to research other potential areas of delegation.

Legal Disclosures and Disclaimers

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