

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

Tyler Whitezell, Chair
Phil Franey, Vice-Chair
Jeanine Adams
David Couch
Juan Gonzalez
Joseph D. Hughes
Jordan Kaufman
Rick Kratt
John Sanders
Dustin Contreras, Alternate
Chase Nunneley, Alternate
Robb Seibly, Alternate

October 5, 2023

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

Subject: Meeting of the Kern County Employees' Retirement Association
Board of Retirement

Ladies and Gentlemen:

A meeting of the Kern County Employees' Retirement Association Board of Retirement will be held on Wednesday, October 11, 2023 at 8:30 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 (*landline recommended for best audio*) and enter ID# 881 5677 6923:

- (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/88156776923?pwd=dnFYL1B6dEhmUIBSYIUvNEIXQVp3QT09>
- Passcode: 211483

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)

SALUTE TO FLAG

MOMENT OF SILENCE

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 Board 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 Board 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 cameras on throughout the meeting.

1. JUST CAUSE CIRCUMSTANCE(S):

a) The following Trustee(s) have notified the Board 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 Board 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 Board 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 Board 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 Board 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 Board concerning the item before action is taken. Staff recommendations are shown in caps after each item.

- *3. Application for service-connected disability pension benefits for Judy Garcia, Hospital Authority (General) – ADOPT RECOMMENDATION OF SDAG TO GRANT SERVICE-CONNECTED DISABILITY PENSION
- *4. [Summary of proceedings of the following meetings:](#)
- August 25, 2023 Administrative Committee
 - September 5, 2023 Investment Committee
 - September 13, 2023 Board of Retirement

RECEIVE AND FILE

- *5. [Report from the KCERA office on members retired from service for the month of September 2023 – RATIFY](#)
- *6. [Report from the KCERA office on deceased retirees for the month of September 2023 – RECEIVE AND FILE](#)
- *7. [Report of current disability retirement applications and appeals of KCERA Board decisions for the period ending September 30, 2023 – RECEIVE AND FILE](#)

- *8. [KCERA asset allocation, cash flow position, investment fees cash flow, and operating expense budget status reports for the month of August 2023 – RECEIVE AND FILE](#)
- *9. [2024 Board of Retirement Meeting Schedule – RECEIVE AND FILE; APPROVE](#)
- *10. [Report on Special Pay Codes classified by the Chief Executive Officer – RECEIVE AND FILE](#)
- *11. [Invitation from State Association of County Retirement Systems \(SACRS\) to trustees and staff to attend the SACRS Fall Conference, November 7-10, 2023, in Rancho Mirage, California – APPROVE ATTENDANCE OF TRUSTEES DAVID COUCH, PHIL FRANEY, JUAN GONZALEZ, JOSEPH D. HUGHES, JORDAN KAUFMAN, RICK KRATT AND CHASE NUNNELEY](#)
- *12. [Correction of typo relating to Policy Benchmark in the Investment Policy Statement – RECEIVE AND FILE](#)

PUBLIC COMMENTS

- 13. 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 Chair, 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.

INVESTMENT MATTERS

- 14. [Update on Annual Private Markets Plan reflecting 8% Private Credit target – presented by Keirsten Lawton, Managing Director, Kelly Jensen, Senior Investment Director, Cambridge Associates, and Chief Investment Officer Daryn Miller, CFA – HEAR PRESENTATION](#)

ADMINISTRATIVE MATTERS

- 15. [Follow-up discussion and appropriate action on Strategic Planning presented by Chief Executive Officer Dominic Brown and Governance Consultants Julie Becker and Benita Falls Harper, Aon – PROVIDE DIRECTION TO STAFF; TAKE OTHER ACTION, AS APPROPRIATE](#)
- 16. [Discussion and appropriate action on KCERA's voting delegation for the State Association of County Retirement Systems \(SACRS\) Fall 2023 Conference, presented by Chief Executive Officer Dominic Brown – APPOINT VOTING DELEGATION](#)

17. [Appointment of Nominating Committee by Chair \(two members\) and the Board](#) (two members) to propose a slate of officers to the Board of Retirement for the 2024 calendar year – MAKE APPOINTMENTS TO NOMINATING COMMITTEE; APPROVE

STAFF REPORTS

18. [Report from Chief Executive Officer](#)
19. [Report from Chief Investment Officer](#)
20. [Report from Chief Legal Officer](#)

COMMITTEE REPORTS

21. Report from Committee Chairs:
 - a. Administrative Committee: Gonzalez
 - b. Finance Committee: Contreras
 - c. Investment Committee: Kratt

CALL FOR PUBLIC COMMENT ON EXECUTIVE SESSION ITEM(S)

EXECUTIVE SESSION

Item 1 is withdrawn from Executive Session if approved on the consent agenda:

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

Judy Garcia	Hospital Authority	General
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22. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9: (1 potential case).
23. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9: (1 potential case).
24. PUBLIC EMPLOYEE PERFORMANCE EVALUATION (pursuant to GOVERNMENT CODE §54957) – Title: Chief Executive Officer

RETURN TO PUBLIC SESSION

ROLL CALL

REPORT OF EXECUTIVE SESSION ACTIONS, IF APPLICABLE

REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS

25. On their own initiative, Board 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.

NEW BUSINESS

26. Consider, discuss, and take possible action to agendize one or more items for future meetings of the Board of Retirement – CONSIDER, DISCUSS, AND TAKE ACTION ON WHETHER TO AGENDIZE PROPOSED ITEMS, IF ANY, FOR A FUTURE MEETING
27. Adjournment

**KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (KCERA)
BOARD OF RETIREMENT**

11125 River Run Boulevard, Bakersfield, California

SUMMARY OF PROCEEDINGS

**Administrative Committee
August 25, 2023**

1:02 p.m.

Committee Members: Franey (Alternate), Chair Gonzalez, Hughes, Nunneley, Seibly

ROLL CALL

Present: Franey, Gonzalez, Nunneley, Seibly

Absent: Hughes

NOTE: The vote is displayed in bold below each item. For example, Nunneley-Seibly denotes Trustee Chase Nunneley made the motion and Trustee Robb Seibly seconded the motion.

AB 2449 REMOTE APPEARANCE(S)

Items 1 and 2 withdrawn from agenda. No trustees appeared via teleconference.

3. Discussion and appropriate action on proposed Compensation Policy presented by Governance Consultants Julie Becker and Benita Harper, Aon, Chief Executive Officer Dominic Brown, and Chief Legal Officer Jennifer Zahry – BENITA HARPER AND JULIE BECKER, AON, HEARD; TRUSTEES PHIL FRANNEY AND CHASE NUNNELEY HEARD; CHIEF EXECUTIVE OFFICER DOMINIC BROWN HEARD: CHIEF LEGAL OFFICER JENNIFER ZAHRY HEARD

RECOMMENDED THE BOARD OF RETIREMENT APPROVE PROPOSED POLICY

Franey-Seibly – 4 Ayes

Trustee Phil Franey voted in place of Trustee Joseph D. Hughes

PUBLIC COMMENTS

4. 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 – NONE

REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS

5. 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 – NONE
6. ADJOURNED – 1:17 P.M.

Secretary, Board of Retirement

Chair, Administrative Committee

**KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (KCERA)
BOARD OF RETIREMENT**

11125 River Run Boulevard, Bakersfield, California

SUMMARY OF PROCEEDINGS

**Investment Committee
September 5, 2023**

8:33 a.m.

Committee Members: Couch, Kaufman, Chair Kratt, Nunneley (Alternate), Whitezell

ROLL CALL

Present: Couch, Kratt, Nunneley, Whitezell

Absent: Kaufman

NOTE: The vote is displayed in bold below each item. For example, Couch-Kaufman denotes Trustee David Couch made the motion and Trustee Jordan Kaufman seconded the motion.

AB 2449 REMOTE APPEARANCE(S)

Items 1 and 2 withdrawn from agenda. No trustees appeared via teleconference.

3. Update on status of investment manager on-site due diligence compliance review presented by Chief Investment Officer Daryn Miller, CFA – SCOTT WHALEN, CFA, VERUS, HEARD; CHAIR RICK KRATT HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

HEARD PRESENTATION

4. Discussion and appropriate action on updated Investment Policy Statement (IPS) presented by Scott Whalen, CFA, and Chief Investment Officer Daryn Miller, CFA – SCOTT WHALEN, CFA, VERUS, HEARD; CHAIR RICK KRATT HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

APPROVED; RECOMMENDED ADOPTION OF UPDATED INVESTMENT POLICY STATEMENT TO THE BOARD OF RETIREMENT

Whitezell-Nunneley – 4 Ayes

Trustee Chase Nunneley voted in place of Trustee Jordan Kaufman

5. Discussion and appropriate action on recommendation for Japan Equity Investment Managers presented by Scott Whalen, CFA, Chief Investment Officer Daryn Miller, CFA, and Investment Analyst II Rafael Jimenez – SCOTT WHALEN, CFA, VERUS, HEARD; CHAIR RICK KRATT HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD; INVESTMENT ANALYST II RAFAEL JIMENEZ HEARD

RECOMMENDED THE BOARD OF RETIREMENT APPROVE LAZARD ASSET MANAGEMENT AND DALTON INVESTMENTS AS JAPAN EQUITY INVESTMENT MANAGERS; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

Couch-Whitezell – 4 Ayes

Trustee Chase Nunneley voted in place of Trustee Jordan Kaufman

6. Discussion and appropriate action on transition manager recommendation presented by Scott Whalen, CFA, Chief Investment Officer Daryn Miller, CFA, and Senior Investment Officer Geoff Nolan – SCOTT WHALEN, CFA, VERUS, HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD; SENIOR INVESTMENT OFFICER GEOFF NOLAN HEARD

RECOMMENDED THE BOARD OF RETIREMENT APPROVE BLACKROCK AS TRANSITION MANAGER; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

Couch-Whitezell – 4 Ayes

Trustee Chase Nunneley voted in place of Trustee Jordan Kaufman

PUBLIC COMMENTS

7. 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 – NONE

REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS

8. 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 – TRUSTEE DAVID COUCH HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

9. ADJOURNED – 9:07 A.M.

Secretary, Board of Retirement

Chair, Investment Committee

**KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (KCERA)
BOARD OF RETIREMENT**

11125 River Run Boulevard, Bakersfield, California

SUMMARY OF PROCEEDINGS

**Board of Retirement Meeting
September 13, 2023**

8:32 A.M.

Board Members: Adams, Contreras (Alternate), Couch, Vice-Chair Franey, Gonzalez, Hughes, Kaufman, Kratt, Nunneley (Alternate), Sanders, Seibly (Alternate), Chair Whitezell

ROLL CALL

Present: Adams, Contreras, Franey, Gonzalez, Kaufman, Nunneley, Sanders, Seibly, Whitezell

Absent: Couch, Hughes, Kratt

SALUTE TO FLAG – CHAIR WHITEZELL

MOMENT OF SILENCE

NOTE: The vote is displayed in bold below each item. For example, Couch-Kaufman denotes Trustee David Couch made the motion and Trustee Jordan Kaufman seconded the motion.

AB 2449 REMOTE APPEARANCE(S)

Items 1 and 2 withdrawn from agenda. No trustees appeared via teleconference.

CONSENT MATTERS

All consent matter items listed below with an asterisk () were considered to be routine and non-controversial by staff and approved by one motion, unless otherwise noted.*

TRUSTEE DAVID COUCH ARRIVED AT 8:42 A.M.

TRUSTEE JOSEPH D. HUGHES ARRIVED AT 8:43 A.M.

*3. Summary of proceedings of the following meetings:

- August 8, 2023 Investment Committee
- August 9, 2023 Board of Retirement

RECEIVED AND FILED

Franey-Adams – 9 Ayes

Trustee Dustin Contreras voted in place of Trustee Rick Kratt

*4. Report from the KCERA office on members retired from service for the month of August 2023 – RATIFIED

Franey-Adams – 9 Ayes

Trustee Dustin Contreras voted in place of Trustee Rick Kratt

*5. Report from the KCERA office on deceased retirees for the month of August 2023 – RECEIVED AND FILED

Franey-Adams – 9 Ayes

Trustee Dustin Contreras voted in place of Trustee Rick Kratt

*6. Report of current disability retirement applications and appeals of KCERA Board decisions for the period ending August 31, 2023 – RECEIVED AND FILED

Franey-Adams – 9 Ayes

Trustee Dustin Contreras voted in place of Trustee Rick Kratt

*7. KCERA asset allocation, cash flow position, investment fees cash flow, and operating expense budget status reports for the month of July 2023 – RECEIVED AND FILED

Franey-Adams – 9 Ayes

Trustee Dustin Contreras voted in place of Trustee Rick Kratt

*8. Certificate of Achievement for Excellence in Financial Reporting for Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022 and Award of Financial Reporting Achievement presented by the Government Finance Officers Association (GFOA) – RECEIVED AND FILED

Franey-Adams – 9 Ayes

Trustee Dustin Contreras voted in place of Trustee Rick Kratt

*9. Report on Special Pay Codes classified by the Chief Executive Officer – RECEIVED AND FILED

Franey-Adams – 9 Ayes

Trustee Dustin Contreras voted in place of Trustee Rick Kratt

- *10. Service provider evaluation period initiated pursuant to Evaluation Period Policy – RATIFIED

Franey-Adams – 9 Ayes

Trustee Dustin Contreras voted in place of Trustee Rick Kratt

- *11. KCERA final Schedules of Employer Allocations and Pension Amounts by Employer and related notes, including independent auditors' report as of and for the year ended June 30, 2022* – RECEIVED AND FILED

**Pursuant KCERA's Board Operations Policy #38, this matter was presented to the Board without the involvement of the Finance Committee to prevent the imprudent use of Plan time and resources in light of the routine and non-controversial nature of item*

Franey-Adams – 9 Ayes

Trustee Dustin Contreras voted in place of Trustee Rick Kratt

- *12. Invitation from State Association of County Retirement Systems (SACRS) to Board of Directors to attend the SACRS Board of Directors Meeting September 25-26, 2023, in Huntington Beach, California – APPROVED ATTENDANCE OF TRUSTEE JORDAN KAUFMAN

Franey-Adams – 9 Ayes

Trustee Dustin Contreras voted in place of Trustee Rick Kratt

PUBLIC COMMENTS

13. 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 Chair, 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 –

SEYED SADREDIN HEARD; TRUSTEE DAVID COUCH HEARD

INVESTMENT MATTERS

14. Update on status of investment manager on-site due diligence compliance review presented by Chief Investment Officer Daryn Miller, CFA – CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

HEARD PRESENTATION

15. Discussion and appropriate action on updated Investment Policy Statement (IPS) presented by Scott Whalen, CFA, Chief Investment Officer Daryn Miller, CFA, and the Investment Committee – SCOTT WHALEN, CFA, VERUS, HEARD; CHAIR TYLER WHITEZELL HEARD; TRUSTEES JEANINE ADAMS AND JUAN GONZALEZ, HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

ADOPTED UPDATED INVESTMENT POLICY STATEMENT

Gonzalez-Couch – 9 Ayes

Trustee Dustin Contreras voted in place of Trustee Rick Kratt

16. Discussion and appropriate action on recommendation for Japan Equity Investment Managers presented by Scott Whalen, CFA, Chief Investment Officer Daryn Miller, CFA, Investment Analyst II Rafael Jimenez, and the Investment Committee – SCOTT WHALEN, CFA, VERUS, HEARD; CHAIR TYLER WHITEZELL HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD; INVESTMENT ANALYST II RAFAEL JIMENEZ HEARD

APPROVED LAZARD ASSET MANAGEMENT AND DALTON INVESTMENTS AS JAPAN EQUITY INVESTMENT MANAGERS; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

Gonzalez-Contreras – 9 Ayes

Trustee Dustin Contreras voted in place of Trustee Rick Kratt

17. Discussion and appropriate action on transition manager recommendation presented by Scott Whalen, CFA, Chief Investment Officer Daryn Miller, CFA, Senior Investment Officer Geoff Nolan, and the Investment Committee – SCOTT WHALEN, CFA, VERUS, HEARD; TRUSTEE JORDAN KAUFMAN HEARD; SENIOR INVESTMENT OFFICER GEOFF NOLAN HEARD

APPROVED BLACKROCK AS TRANSITION MANAGER; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

Gonzalez-Kaufman – 9 Ayes

Trustee Dustin Contreras voted in place of Trustee Rick Kratt

18. Presentation on the 2nd Quarter Investment Performance Review period ending June 30, 2023 by Scott Whalen, CFA, Verus – SCOTT WHALEN, CFA, VERUS, HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

RECEIVED AND FILED

Couch-Adams – 9 Ayes

Trustee Dustin Contreras voted in place of Trustee Rick Kratt

19. Presentation on the 2nd Quarter 2023 Portfolio Review presented by Spencer Edge, Albourne America¹ – SPENCER EDGE, ALBOURNE AMERICA, HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

RECEIVED AND FILED

Gonzalez-Adams – 9 Ayes

Trustee Dustin Contreras voted in place of Trustee Rick Kratt

ADMINISTRATIVE MATTERS

20. Discussion and appropriate action on proposed Compensation Policy presented by Governance Consultants Julie Becker and Benita Harper, Aon, Chief Executive Officer Dominic Brown, Chief Legal Officer Jennifer Zahry, and the Administrative Committee – BENITA HARPER, AON, HEARD; CHAIR TYLER WHITEZELL HEARD; VICE-CHAIR PHIL FRANNEY HEARD; TRUSTEES DAVID COUCH, JUAN GONZALEZ, JOSEPH D. HUGHES AND ROBB SEIBLY HEARD; CHIEF EXECUTIVE OFFICER DOMINIC BROWN HEARD

PUBLIC COMMENT: ELSA MARTINEZ, COUNTY ADMINISTRATIVE OFFICE, HEARD

DIRECTED STAFF TO CARRY ITEM FORWARD TO NEXT BOARD OF RETIREMENT MEETING AGENDA; AND WORK WITH AON AND STAKEHOLDERS TO REVISE LANGUAGE BASED ON DISCUSSION

Franey-Gonzalez – 9 Ayes

Trustee Dustin Contreras voted in place of Trustee Rick Kratt

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.

STAFF REPORTS

21. Report from Chief Executive Officer

CHIEF EXECUTIVE OFFICER DOMINIC BROWN REPORTED THE FOLLOWING:

- ADDITIONAL TESTING OF BOARD EQUIPMENT BEFORE NEXT MEETING
- STAFFING UPDATE
- MEMBER OUTREACH
- SOLAR UPDATE
- INTERNET SERVICE PROVIDER UPDATE
- OPERATIONS ACTIVITY
- UPCOMING MEETINGS AND EVENTS

CHAIR TYLER WHITEZELL HEARD; TRUSTEES JUAN GONZALEZ AND ROBB SEIBLY HEARD; CHIEF EXECUTIVE OFFICER DOMINIC BROWN HEARD; CHIEF LEGAL OFFICER JENNIFER ZAHRY HEARD

22. Report from Chief Investment Officer

CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, REPORTED THE FOLLOWING:

TRUSTEE JOHN SANDERS LEFT AT 11:11 A.M.

- REBALANCING – AUGUST ACTIVITY
- POSITIONING – ACTUAL VS. POLICY TARGET
- VENN RISK ANALYTICS SYSTEM UPDATE
- FOLLOW UP CONVERSATION ON RISK FROM SEPTEMBER 5, 2023 INVESTMENT COMMITTEE MEETING

VICE-CHAIR PHIL FRANNEY HEARD; TRUSTEE DAVID COUCH HEARD; CHIEF EXECUTIVE OFFICER DOMINIC BROWN HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER HEARD

23. Report from Chief Legal Officer:

CHIEF LEGAL OFFICER JENNIFER ZAHRY REPORTED THE FOLLOWING:

- LEGISLATIVE CALENDAR
- LEGISLATIVE UPDATES
- SERVICE PURCHASES
- RECIPROCITY
- SEPTEMBER CALENDAR

COMMITTEE REPORTS

24. Report from Committee Chairs:
- a. Administrative Committee: GONZALEZ – NONE
 - b. Finance Committee: CONTRERAS – NONE
 - c. Investment Committee: KRATT – NONE

CALL FOR PUBLIC COMMENT ON EXECUTIVE SESSION ITEM(S) – NONE

EXECUTIVE SESSION

25. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9: (1 potential case).

RETURN TO PUBLIC SESSION

BOARD OF RETIREMENT RECONVENED AT 12:15 P.M.

ROLL CALL

Present: Adams, Contreras, Couch, Franey, Gonzalez, Hughes, Kaufman, Nunneley, Seibly, Whitezell

Absent: Kratt, Sanders

REPORT OF EXECUTIVE SESSION ACTIONS, IF APPLICABLE

ITEM 25 – NO REPORTABLE ACTION

REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS

26. On their own initiative, Board 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 – TRUSTEE JORDAN KAUFMAN HEARD

NEW BUSINESS

27. Consider, discuss, and take possible action to agendaize one or more items for future meetings of the Board of Retirement – NONE

28. ADJOURNED – 12:17 P.M.

Secretary, Board of Retirement

Chair, Board of Retirement



**Kern County Employees' Retirement Association New
Retirees- September 1, 2023 to September 30, 2023**

Employer Name: County Of Kern

Member Last Name	Member First Name	Retirement Date	Membership Tier	Department Name
Astle	Bryant	08/19/2023	General Tier II PEPRA	8954 - Public Works-Public Ways
Beach	Shell	07/29/2023	Safety Tier I	2340S - Probation-Safety
Beck	Brady	06/20/2023	Safety Tier I	2415S - Fire
Cauzza	Antoinette	08/12/2023	General Tier I	5120 - Depart Of Human Services
Chow-Garcia	Arianne	08/12/2023	Safety Tier I	2210S - Sheriff
Cizek	Michael	08/15/2023	General Tier II	1610 - General Services Division
Clark	Lisa	08/12/2023	General Tier I	2180 - District Attorney
Diederich	Deborah	08/18/2023	General Tier I	2115C - Court Admin Traffic
Flores	Miguel	08/05/2023	Safety Tier I	2340S - Probation-Safety
Hiestand	Lisa	08/31/2023	Safety Tier I	2340S - Probation-Safety
Martinez	Jared	08/12/2023	Safety Tier I	2340S - Probation-Safety
Sandoval	Christina	08/01/2023	General Tier I	5120 - Depart Of Human Services
Stotler	Patricia	08/12/2023	Safety Tier I	2340S - Probation-Safety

Employer Name: KC Superior Court

Member Last Name	Member First Name	Retirement Date	Membership Tier	Department Name
Jimenez	Leticia	08/07/2023	General Tier I	9410 - Superior Court
Williams	Melissa	01/28/2023	General Tier I	9410 - Superior Court



**Kern County Employees' Retirement Association New
Retirees- September 1, 2023 to September 30, 2023**

Employer Name: Kern County Hospital Authority

Member Last Name	Member First Name	Retirement Date	Membership Tier	Department Name
Soule	Sheryl	08/12/2023	General Tier II	9460 - Kern County Hospital Authority

Employer Name: Kern Mosquito & Vec Cntr

Member Last Name	Member First Name	Retirement Date	Membership Tier	Department Name
Mcmahon	Katherine	08/12/2023	General Tier II PEPRA	0952 - KERN MOSQUITO & VEC CNT

Employer Name: San Joaquin Valley APCD

Member Last Name	Member First Name	Retirement Date	Membership Tier	Department Name
Haywood	Theresa	08/12/2023	General Tier I	0959 - San Joaquin Valley Air Pollution Control District



Kern County Employees' Retirement Association Decedents- September 1, 2023 to September 30, 2023

Pre-Retirement Deaths

Last Name	First Name	Membership Type	Employer Name
Clark	Denise	General	County Of Kern

Post-Retirement Deaths

Last Name	First Name	Membership Type	Employer Name
Bowman	Charles	General	County Of Kern
Cockerel	Maria	Safety	County Of Kern
Gomez	Esther	General	County Of Kern
Herrera	Elizabeth	General	County Of Kern
Highley	Sid	General	County Of Kern
Huggins	Ronald	General	County Of Kern
Johnson	John	Safety	County Of Kern
Mcmillan	Mack	General	County Of Kern
Owens	Charles	Safety	County Of Kern
Pesante	Martin	General	County Of Kern
Rosero	Evelyn	General	County Of Kern
Serrano	Guadalupe	General	County Of Kern
White	Charles	Safety	County Of Kern
Wilson	Elizabeth	General	County Of Kern
Wilson	Margaret	General	County Of Kern

KCERA
STATUS OF DISABILITY RETIREMENT APPLICATIONS
AS OF SEPTEMBER 30, 2023

NAME	PLAN SPONSOR/ DEPARTMENT	DATE FILED	DATE OF LAST CONTACT
Rickels, Adam	SHERIFF	8/11/2023	8/24/2023
NAME	PLAN SPONSOR/ DEPARTMENT	DATE FILED	MMRO ASSIGNED
Stephan, Daren	PUBLIC WORKS	7/7/2023	9/15/2023
Norris, David	SHERIFF	5/26/2023	8/11/2023
Meeks, Sandra	BEHAVIORAL HEALTH & RECOVERY SERVICES	5/1/2023	7/18/2023
Fulmer, Evon	DEPARTMENT OF HUMAN SERVICES	4/28/2023	7/18/2023
Muniz, Linda	BEHAVIORAL HEALTH & RECOVERY SERVICES	4/6/2023	6/26/2023
Romero, Anthony	FIRE	3/10/2023	6/19/2023
Gonzalez-Lopez, Rebecca	DEPARTMENT OF HUMAN SERVICES	3/9/2023	6/19/2023
Guivas Smith, Loida	AGING AND ADULT SERVICES	3/8/2023	6/19/2023
Allen, Paul	SHERIFF	2/22/2023	4/25/2023
Miarta, Richard	SHERIFF	2/10/2023	4/25/2023
Harbour, Leslie	SHERIFF	2/9/2023	4/25/2023
Ramirez, Edward	SHERIFF	2/7/2023	4/25/2023
Lock, Ranna	SHERIFF	2/1/2023	4/25/2023
Inman Ferguson, Jill	KERN COUNTY SUPERIOR COURT	1/24/2023	4/10/2023
Monahan, Laura	KERN COUNTY WATER AGENCY	1/3/2023	4/6/2023
Kimbrell, Tamara	SHERIFF	11/29/2022	3/23/2023
Dunlap, James	SHERIFF	11/1/2022	2/8/2023
Perez, Manuelita	PROBATION	10/27/2022	1/17/2023
Schmidt, Mark	FIRE	10/26/2022	3/23/2023
Yanez, Alfred	SHERIFF	10/3/2022	2/10/2022
Morrison, James	SHERIFF	9/14/2022	12/19/2022
Gregory, Dolores	SHERIFF	8/16/2022	12/19/2022
Smith, Clifton	FIRE	8/15/2022	12/19/2022
Cockrell, June	DEPARTMENT OF HUMAN SERVICES	8/11/2022	10/18/2022
Gaetzman, Travis	SHERIFF	8/10/2022	11/22/2022
Hartley-Anders, Kim	KERN COUNTY SUPERIOR COURT	8/9/2022	11/22/2022
Hudson, Richard	SHERIFF	8/8/2022	11/22/2022
Carrillo, Aaron	SHERIFF	7/15/2022	9/30/2022
Rice, Jerry	FIRE	7/7/2022	11/22/2022
Roden, Jim	SHERIFF	6/22/2022	9/30/2022
Rodriguez, Mark	FIRE	6/21/2022	9/1/2022
Fecke, Daniel	KERN COUNTY HOSPITAL AUTHORITY	6/15/2022	9/30/2022
Pena, Armando	PROBATION	5/27/2022	9/19/2022
Hill, Sheldon	SHERIFF	5/27/2022	8/19/2022

**KCERA
STATUS OF DISABILITY RETIREMENT APPLICATIONS
AS OF SEPTEMBER 30, 2023**

NAME	PLAN SPONSOR/ DEPARTMENT	DATE FILED	MMRO ASSIGNED
Gomez, Armando	INFORMATION TECHNOLOGY SERVICES	4/29/2022	10/14/2022
Cano, Emma	BEHAVIORAL HEALTH AND RECOVERY SERVICES	3/17/2022	8/19/2022
Yohn, Jacob	SHERIFF	11/30/2021	7/21/2022
Fussel, Kathy	KERN COUNTY HOSPITAL AUTHORITY	11/3/2021	2/24/2022
Guandique, Sandra	RISK MANAGEMENT	10/15/2021	3/14/2022
Kauffman, Stephen	DISTRICT ATTORNEY	8/16/2021	4/25/2022
Brannan, Derek	SHERIFF	7/14/2021	11/22/2021
Leon, Theresa	DEPARTMENT OF HUMAN SERVICES	7/7/2021	10/18/2021
Patton, Eric	SHERIFF	6/30/2021	11/22/2021
Candelaria, Valerie	DEPARTMENT OF HUMAN SERVICES	6/23/2021	9/15/2021
Introuini, Jessica	SHERIFF	6/18/2021	11/22/2021
Williams, Theron	GENERAL SERVICES	5/12/2021	9/15/2021
Garcia, Judy	KERN COUNTY HOSPITAL AUTHORITY	3/29/2021	10/18/2021
Smith, Thomas Jr.	SHERIFF	3/16/2021	11/8/2021
Sanders-Stubblefield, Misty	AGING AND ADULT SERVICES	2/25/2021	8/20/2021
McAdoo, John	SHERIFF	2/24/2021	8/20/2021
Bankston, Josh	SHERIFF	2/9/2021	8/19/2021
Cushman, Harris	SHERIFF	12/22/2020	8/19/2021
Burchfield, James	PUBLIC WORKS	11/17/2020	7/16/2021
Fleeman, Justin	SHERIFF	9/17/2020	2/8/2021
COMPLETED IN 2023			
NAME	DEPARTMENT	FILED	DATE COMPLETED
Carvel, Scott	DISTRICT ATTORNEY	1/27/2017	8/9/2023
Rodriguez, Ted	SHERIFF	6/22/2017	4/12/2023
Coletti, John	SHERIFF	01/30/18	3/8/2023
Hulsey, Jonathan	PROBATION	4/18/2018	6/14/2023
Champlin, Timothy	PROBATION	4/25/2018	8/9/2023
Terry, Leann	SHERIFF	10/17/2019	5/3/2023
Brown, Michael	SHERIFF	4/14/2020	4/12/2023
Diffenbaugh, Anthony	FIRE	6/9/2020	8/9/2023
Tisinger, Douglas	KERN COUNTY WATER AGENCY	10/5/2020	4/12/2023
Carrillo, Mabelle	ANIMAL CONTROL	11/18/2020	6/14/2023
Bravo, Enrique	SHERIFF	3/1/2021	8/9/2023
Brandon, Bradly	SHERIFF	3/4/2021	8/9/2023
Gardner, Stephen	FIRE	7/19/2021	4/12/2023
Barnes, Mark	SHERIFF	12/3/2021	5/3/2023

**KCERA
DISABILITY RETIREMENT APPLICATION APPEALS PENDING
AS OF SEPTEMBER 30, 2023**

ADMINISTRATIVE HEARING	DEPARTMENT	DATE FILED	SDAG RECOMMENDATION	APPEAL RECEIVED	HEARING OFFICER ASSIGNED	STATUS
Baker, Breanne	DEPARTMENT OF HUMAN SERVICES	4/2/2020	SDAG to deny SCD	9/14/2023	10/3/2023	
Martinez de Moore, Brenda	BEHAVIORAL HEALTH AND RECOVERY SERVICES	12/10/2018	SDAG to deny SCD	9/15/2023	10/3/2023	

WRIT OF MANDATE	DEPARTMENT	DATE FILED	BOARD DECISION	PETITION FOR WRIT FILED	STATUS

COURT OF APPEAL	DEPARTMENT	DATE FILED	BOARD DECISION	PETITION FOR WRIT FILED	JUDGMENT ON WRIT	NOTICE OF APPEAL RECEIVED	STATUS

HEARINGS COMPLETED IN 2023			
NAME	DEPARTMENT	DATE FILED	DATE COMPLETED
Morgan, Gloria	SHERIFF	03/26/15	02/24/23
Ashley, Mark	SHERIFF	09/03/15	03/10/23

KCERA ASSET ALLOCATION*
8/31/2023

Manager Name	Type	\$(000)	Current Allocation	Target Percentage	Variance Over Target (Under Target)	Variance Over Target (Under Target) \$(000)
AlliceBernstein	Small Cap Value	87,747	1.8%			
Geneva Capital	Small Cap Growth	52,816	1.0%			
Mellon Capital Management EB DV	Large Cap Passive	544,330	10.1%			
PIMCO StockPlus	Large Cap Enhanced	118,429	2.2%			
Total Domestic Equity		\$803,322	14.9%	19.0%	(4.1%)	(\$223,813)
American Century	International Small	70,421	1.3%			
Cevian Capital II LP	International Large	39,544	0.7%			
Mellon Capital Management-EB DV	International Large Passive	522,420	9.7%			
Total International Developed Equity		\$632,385	11.7%	13.0%	(1.3%)	(\$70,392)
AB Emerging Markets Strategic Core	Emerging Markets	53,371	1.0%			
DFA Emerging Markets Value Portfolio	Emerging Markets	82,249	1.5%			
Mellon Emerging Markets	Emerging Markets	83,993	1.5%			
Total Emerging Market Equity		\$219,613	4.1%	5.0%	(0.9%)	(\$50,686)
TOTAL EQUITY		\$1,655,320	30.6%	37.0%	(6.4%)	(\$344,891)
Mellon Capital Management Ag Bond	Core	159,908	3.0%			
PIMCO CP	Core Plus	163,343	3.0%			
Western Asset Management - CP	Core Plus	121,212	2.2%			
Total Core		\$444,463	8.2%	14.0%	(5.8%)	(\$312,373)
TCW Securitized Opportunities LP	Securitized Opportunities	93,147	1.7%			
Western Asset Management - HY	High Yield	168,938	3.1%			
Total Credit		\$262,085	4.8%	6.0%	(1.2%)	(\$64,273)
PIMCO EM Beta	Emerging Markets	147,989	2.7%			
Stone Harbor Global Funds	Emerging Markets	66,409	1.2%			
Total Emerging Market Debt		\$214,408	4.0%	4.0%	(0.0%)	(\$1,831)
TOTAL FIXED INCOME		\$918,956	17.0%	24.0%	(7.0%)	(\$378,478)
Gresham Commodity Builder Fund	Active	51,229	0.9%			
Wellington Trust Company (WTC)	Active	192,691	3.6%			
TOTAL COMMODITIES		\$243,920	4.5%	4.0%	0.5%	\$27,681
Anstela International Ltd	Hedge Fund - Direct	70,831	1.3%			
Brevan Howard Fund Limited	Hedge Fund - Direct	54,763	1.0%			
D.E. Shaw Composite Fund	Hedge Fund - Direct	61,816	1.1%			
HBK Multi-Strategy Fund	Hedge Fund - Direct	46,015	0.9%			
Hudson Bay Enhanced Fund LP	Hedge Fund - Direct	84,403	1.6%			
Indus Pacific Opportunities Fund	Hedge Fund - Direct	46,620	0.9%			
PIMCO Commodity Alpha Fund LLC	Hedge Fund - Direct	74,141	1.4%			
Pharo Macro Fund LTD	Hedge Fund - Direct	63,272	1.2%			
Sculptor Enhanced LP (Formerly OZ Domestic)	Hedge Fund - Direct	45,599	0.8%			
TOTAL HEDGE FUND		\$547,460	10.1%	10.0%	0.1%	\$6,863
ASB Capital Management	Core	164,334	3.0%			
JPIMCB Strategic Property Fund	Core	137,045	2.5%			
TOTAL CORE REAL ESTATE		\$301,379	5.6%	5.0%	0.6%	\$31,080
Davidson Kempner	Hedge Fund - Direct	55,687	1.0%			
Garda Fixed Income	Hedge Fund - Direct	60,473	1.1%			
HBK Multi-Strategy Fund	Hedge Fund - Direct	43,335	0.8%			
Hudson Bay Enhanced Fund LP	Hedge Fund - Direct	60,845	1.1%			
TOTAL CE ALPHA POOL		\$220,340	4.1%	5.0%	(0.9%)	(\$49,959)
Harvest Midstream	Midstream	166,208	3.1%			
PIMCO Midstream	Midstream	157,822	2.9%			
TOTAL MIDSTREAM ENERGY		\$324,030	6.0%	5.0%	1.0%	\$53,731
Aristeia Select Opportunities II LP	Opportunistic	48,732	0.9%			
DB Investor's Fund IV	Opportunistic	23,752	0.4%			
River Birch International Ltd	Opportunistic	5,506	0.1%			
Sixth Street TAO Partners (D)	Opportunistic	93,906	1.7%			
TOTAL OPPORTUNISTIC		\$171,896	3.2%	0.0%	3.2%	\$171,896
Abbott Capital Funds	Private Equity Fund of Funds	17,490	0.3%			
Brighton Park Capital Fund I	Private Equity	36,864	0.7%			
Brighton Park Capital Fund II	Private Equity	3,299	0.1%			
Level Equity Growth Partners	Private Equity	12,763	0.2%			
LGT Crown Global	Private Equity	29,171	0.5%			
Linden Capital Partners	Private Equity	16,557	0.3%			
Pantheon Funds	Private Equity Fund of Funds	8,225	0.2%			
Peak Rock	Private Equity	13,114	0.2%			
OrbiMed Private Investments IX	Private Equity	970	0.0%			
Rubicon Technology Partners IV	Private Equity	3,124	0.1%			
Vista Foundation Fund IV	Private Equity	18,685	0.3%			
Warren Equity Partners Fund III and Fund IV	Private Equity	38,215	0.7%			
TOTAL PRIVATE EQUITY		\$198,477	3.7%	5.0%	(1.3%)	(\$71,822)
Blue Torch Credit Opportunites II	Private Credit	16,189	0.3%			
Blue Torch Credit Opportunites Fund III	Private Equity	5,119	0.1%			
Brookfield Real Estate Finance Fund V	Private Credit	16,772	0.3%			
Cerberus Levered Loan Opportunites Fund V LP	Private Credit	9,808	0.2%			
Colony Distressed Credit Fund	Private Credit	18,893	0.3%			
Fortress Credit Opportunites Fund V	Private Credit	15,758	0.3%			
Fortress Lending Fund II (A)	Private Credit	28,071	0.5%			
Fortress Lending Fund III (A)	Private Credit	24,306	0.4%			
H.I.G. Bayside Loan Opportunity Fund	Private Credit	45,805	0.8%			
Magnetar Constellation Fund V	Private Credit	27,994	0.5%			
OrbiMed Royalty & Credit Opportunites IV	Private Credit	6,271	0.1%			
Sixth Street TAO Partners (B)	Private Credit	40,367	0.7%			
IVEP IV TS Co-Investment LP	Private Credit	7,178	0.1%			
TOTAL PRIVATE CREDIT		\$262,531	4.9%	5.0%	(0.1%)	(\$7,768)
Covenant Apartment Fund X	Private Real Estate	31,836	0.6%			
Covenant Apartment Fund XI	Private Real Estate	12,444	0.2%			
Invesco Real Estate Funds III & IV	Private Real Estate	931	0.0%			
KSL Capital Partners VI, LP and ITS Parallel Fund	Private Real Estate	1,930	0.0%			
LBA Logistics Value Fund IX	Private Real Estate	13,104	0.2%			
Landmark Real Estate Partners VIII	Private Real Estate	32,525	0.6%			
Long Wharf Real Estate Partners VI	Private Real Estate	33,355	0.6%			
Singerman Real Estate Opportunity Fund IV	Private Real Estate	12,208	0.2%			
TOTAL PRIVATE REAL ESTATE		\$138,301	2.6%	5.0%	(2.4%)	(\$131,997)
Northern Trust STIF	Short Term	147,184	2.7%			
BlackRock Short Duration	Short Term	182,404	3.4%			
Parametric	Overlay	86,329	1.6%			
Treasurers Pooled Cash	Short Term	5,368	0.1%			
Wells Fargo Bank	Short Term	1,717	0.0%			
TOTAL CASH AND OVERLAY		\$423,058	7.8%	-5.0%	12.8%	\$693,357
Transition Accounts	Liquidation	306	0.0%			
Other		\$306	0.0%	0.0%	0.0%	\$306
As Allocated to Managers **		\$5,405,975	100.0%	100.0%	(0.0%)	(\$0)

*This report reflects the strategic asset allocation policy adopted by the Board of Retirement April 2022.

**Physical securities market value only. Does not include notional market values of the overlay or capital efficiency program

KCERA
CASH FLOW POSITION
AUGUST, 2023
TREASURERS POOLED CASH

Beginning Cash Balance:		\$	10,909,857
Employer Contributions	27,190,004		
Employee Contributions	3,952,258		
Service Purchases	316,510		
Miscellaneous	65,526		
Total Receipts:			31,524,298
Operating Expenses	(1,978,435)		
Investment Expenses	(87,734)		
Transfers-out	(35,000,000)		
Other- Reversal of deposit	(355)		
Total Disbursements:			<u>(37,066,524)</u>
Ending Cash Balance:		\$	<u>5,367,632</u>

NORTHERN TRUST

Beginning Cash Balance:		\$	151,789,465
Private Markets - Distributions	8,537,193		
Commingled Funds - Distributions	23		
Hedge Funds - Distributions	905,629		
Redemption Magnetar Structured	7,404,359		
Dividend and Interest Income	1,348,843		
Class Action Proceeds	979		
Interest	701,692		
Total Receipts:			18,898,718
Capital Calls Warren	(7,470,589)		
Capital Calls Linden	(2,068,823)		
Capital Calls Singerman	(131,250)		
Capital Calls Cerberus	(10,291,962)		
Capital Calls Crown Global	(2,450,000)		
Capital Calls Brighton Park	(361,249)		
Other Expenses	(13,089)		
Transfers-out	(1,000,000)		
Total Disbursements:			<u>(23,786,963)</u>
Ending Cash Balance:		\$	<u>146,901,220</u>

**KCERA
CASH FLOW POSITION
AUGUST, 2023**

WELLS FARGO BANK

Beginning Cash Balance		\$ 920,125
Transfer In Northern Trust	1,000,000	
Transfer In TPC - County	40,000,000	
ACH Returns / Deletes	17,267	
Total Receipts:		41,017,267
ACH Benefit Payments	(31,089,056)	
Wires	(13,537)	
Total Checks Paid	(293,077)	
Taxes Withholding Deposits	(8,768,369)	
Bank Services	(578)	
Total Disbursements:		(40,164,617)
WFB ending Balance		<u>\$ 1,772,775</u>

**KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENT FEES CASH FLOW REPORT
FOR THE MONTH ENDED AUGUST, 2023**

Description	July	August	Total
Investment Base Fees:			
Domestic Equity:			
AllianceBernstein			0.00
Henderson Geneva Capital		95,077.00	95,077.00
Mellon Capital			0.00
International Equity:			
BlackRock			0.00
Fixed Income:			
Mellon Capital (Ag Bond)			0.00
Pacific Investment Management Company		275,622.93	275,622.93
Western Asset Management			0.00
Commodities:			
Wellington Trust Company		312,457.14	312,457.14
Real Estate:			
ASB Capital Management		319,553.46	319,553.46
Midstream Energy:			
Harvest Midstream			0.00
Overlay			
Parametric		74,523.00	74,523.00
Subtotal	0.00	1,077,233.53	1,077,233.53
Investment Professional Fees:			
Consulting:			
Abel Noser			0.00
Albourne America LLC		33,333.33	33,333.33
Cambridge Associates			0.00
Glass, Lewis & Co.	7,950.00		7,950.00
Two Sigma		11,250.00	11,250.00
Verus		34,166.67	34,166.67
Consulting - Other Expenses			0.00
Custodial:			
The Northern Trust Co.			0.00
Legal:			
Foley & Lardner LLP			0.00
Hanson Bridgett LLP			0.00
Nossaman LLP		8,983.50	8,983.50
Due Diligence / Investment-Related Travel:			
Subtotal	7,950.00	87,733.50	95,683.50
Total Investment Fees	7,950.00	1,164,967.03	1,172,917.03

KCERA
Operating Expense Budget Status Report
For the Month Ended August 31, 2023

Expense Type	Budget FY 2023/24	Expenses	Over (Under)
Staffing			
Salaries	4,215,888.00	455,793.33	(3,760,094.67)
Benefits	2,655,190.00	247,710.69	(2,407,479.31)
Staffing Total	6,871,078.00	703,504.02	(6,167,573.98)
Staff Development			
Education & Professional Development	120,000.00	7,299.25	(112,700.75)
Staff Appreciation	4,000.00	50.00	(3,950.00)
Staff Development Total	124,000.00	7,349.25	(116,650.75)
Professional Fees			
Actuarial fees	100,000.00	-	(100,000.00)
Audit fees	98,275.00	-	(98,275.00)
Consultant fees	115,000.00	-	(115,000.00)
Legal fees	70,000.00	-	(70,000.00)
Professional Fees Total	383,275.00	-	(383,275.00)
Office Expenses			
Building expenses	124,000.00	9,086.52	(114,913.48)
Communications	84,062.00	5,959.55	(78,102.45)
Equipment lease	12,000.00	1,920.83	(10,079.17)
Equipment maintenance	10,100.00	-	(10,100.00)
Memberships	20,000.00	4,420.00	(15,580.00)
Office supplies & misc. admin.	80,000.00	6,203.04	(73,796.96)
Payroll & accounts payable fees	25,000.00	-	(25,000.00)
Other Services - Kern County	40,000.00	28,676.00	(11,324.00)
Postage	20,000.00	602.10	(19,397.90)
Subscriptions	15,000.00	1,307.81	(13,692.19)
Utilities	30,000.00	6,526.94	(23,473.06)
Office Expense Total	460,162.00	64,702.79	(395,459.21)
Insurance	173,384.00	155,498.00	(17,886.00)
Member Services			
Disability - administration MMRO	200,000.00	-	(200,000.00)
Member Services Total	200,000.00	-	(200,000.00)
Systems			
Audit – security & vulnerability scan	15,000.00	-	(15,000.00)
Business continuity expenses	16,050.00	-	(16,050.00)
Hardware	37,420.00	7,044.30	(30,375.70)
Licensing & support	140,780.00	109,868.98	(30,911.02)
Software	217,600.00	62,480.32	(155,119.68)
Website design & hosting	13,200.00	2,200.00	(11,000.00)
Systems Total	440,050.00	181,593.60	(258,456.40)
Board of Retirement			
Board compensation	12,000.00	-	(12,000.00)
Board conferences & training	50,000.00	3,141.53	(46,858.47)
Board elections	-	-	-
Board meetings	8,500.00	143.42	(8,356.58)
Board of Retirement Total	70,500.00	3,284.95	(67,215.05)
Depreciation / Amortization	42,651.00	5,583.50	(37,067.50)
Total Operating Expenses	8,765,100.00	1,121,516.11	(7,643,583.89)



BOARD OF RETIREMENT 2024 MEETING SCHEDULE

January..... *Dark – No meeting*
February 14 Board of Retirement
March 13..... Board of Retirement
April 10 Board of Retirement
May 1* Board of Retirement
June 12..... Board of Retirement

July *Dark – No meeting*
August 14..... Board of Retirement
September 11 ... Board of Retirement
October 9 Board of Retirement
November 6* Board of Retirement
December 11 Board of Retirement

Board of Retirement meetings are generally held on the second Wednesday of the month at 8:30 a.m. in the KCERA Board Room, located at 11125 River Run Boulevard, Bakersfield, California. The Administrative, Finance, Investment, and Nominating Committees meet periodically throughout the year, as necessary.

ANY SCHEDULING CHANGES WILL BE NOTED ON AGENDAS

**Scheduled first weeks of May and November due to SACRS Spring Conference held May 7-10 and SACRS Fall Conference held November 12-15.*



REPORT OF SPECIAL PAY CODE
CLASSIFICATIONS
DESIGNATED BY KCERA CEO

SPECIAL PAY CODE – PENSIONABLE/NON-PENSIONABLE

Dept./BU	Code	Title	Details	Legal Authority
KCFFU	FH	<p>FIRE USAR/ HAZMAT 5%</p> <p>INCLUDED FOR LEGACY MEMBERS</p> <p>EXCLUDED FOR PEPRA MEMBERS</p>	<p>Employees assigned to the Urban Search and Rescue (USAR) and/or HazMat equipment within a station and hold a USAR Operations Level (RXO) and/or HazMat Technician certification shall receive an additional special pay equivalent to five percent (5%) of the employee's base salary.</p> <p>Employees not assigned to either role but maintain either certification shall also be eligible for this special pay.</p> <p>The total maximum special pay for this item is 5%. The total maximum employees eligible shall be 67 employees per program.</p> <p>Agreement 545-2023, expiring June 30, 2026</p> <p>Approved 9/26/2023</p>	<p><i>Not excluded from compensation earnable by Cal. Gov. Code section 31461(b);</i></p> <p><i>Excluded from pensionable compensation by Cal. Gov. Code section 7522.34(a); 7522.34(c)(7)</i></p>

THE FOLLOWING SPECIAL ALLOWANCE DESIGNATIONS DISPLAY THE SPECIAL ALLOWANCES CLASSIFIED BY THE CHIEF EXECUTIVE OFFICER PURSUANT TO KCERA BOARD'S ADMINISTRATION OF SPECIAL ALLOWANCES POLICY & CA SUPREME COURT ALAMEDA DECISION (7/30/2020)

COMPENSATION EARNABLE

THE FOLLOWING SPECIAL ALLOWANCES ARE CONSIDERED COMPENSATION EARNABLE FOR APPLICABLE MEMBERS (MEMBERSHIP BEFORE 1/1/2013).

<u>SPECIAL ALLOWANCE</u>	
<u>CODE</u>	<u>FULL LEGEND</u>
FH	FIRE USAR/ HAZMAT 5%

PENSIONABLE COMPENSATION

THE FOLLOWING SPECIAL ALLOWANCES ARE NOT CONSIDERED PENSIONABLE COMPENSATION FOR APPLICABLE MEMBERS (MEMBERSHIP ON OR AFTER 1/1/2013).

<u>SPECIAL ALLOWANCE</u>	
<u>CODE</u>	<u>FULL LEGEND</u>
FH	FIRE USAR/ HAZMAT 5%



KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Memorandum from the
Office of the Chief Executive Officer
Dominic D. Brown

Date: October 11, 2023
To: Trustees, Board of Retirement
From: Dominic D. Brown, Chief Executive Officer 
Subject: **SACRS Fall Conference**
Rancho Mirage, California
November 7-10, 2023

In accordance with the Travel Policy approved by the Board of Retirement on April 13, 2022, I have attached information concerning the above-captioned meeting, as follows:

- Agenda and supporting information on the pertinence and relevance of attendance to a fiduciary – Preliminary agenda is attached
- Specific information as to whether staff or members of the Board will serve as a participant – None
- Specific information concerning the estimated total travel cost involved, including the estimated costs to be borne by KCERA and those costs borne by the conference sponsor

The conference topics are relevant to the administration of the retirement system. Accordingly, I recommend that the Board approve the attendance of Trustees David Couch, Phil Franey, Juan Gonzalez, Joseph D. Hughes, Jordan Kaufman, Rick Kratt and Chase Nunneley.

Attachment

Travel Subject _____ SACRS Fall Conference _____
Sponsor _____ SACRS _____
Date(s) _____ November 7-10, 2023 _____
Location _____ Rancho Mirage, CA _____
Proposed Attendee(s) _____ Couch, Franey, Gonzalez, Hughes, Kaufman, Kratt, Nunneley _____

Estimated Total Travel Cost _____ **\$9,365.51** _____

Description	Computation		Couch	Franey	Gonzalez	Hughes	Kaufman	Kratt	Nunneley	Totals	Borne By	
											KCERA	Sponsor
Registration fees	\$120.00	=	120.00	120.00	120.00	120.00	120.00	120.00	120.00	840.00	840.00	
Lodging expense	3 nights @ \$ 253.56 /night	=	760.68	760.68	760.68	760.68	760.68	760.68	760.68	5,324.76	5,324.76	
Per diem meals reimbursement:	4 days @ \$ 69.00 /day	=	276.00	276.00	276.00	276.00	276.00	276.00	276.00			
Less meals provided by sponsor		=										
	3 Breakfast, 2 Lunch, 1 Dinner = \$0.00		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			\$0.00
Total meals expense		=								1,932.00	1,932.00	
Shuttle/taxicab expense	Taxi Estimate	=								-	-	
Airfare	\$0.00	=	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-	
Vehicle-related expenses:		=	-	-	-	-	-	-	-	-	-	
Parking	- days @ - /day	=	-	-	-	-	-	-	-	-	-	
Mileage	290 miles @ 0.370 /mile (Department Head)	=	-	-	-	-	-	-	-	-	-	
	290 miles @ 0.625 /mile (Staff, Trustee)	=	181.25	181.25	181.25	181.25	181.25	181.25	181.25	1,268.75	1,268.75	
Rental car		=	-	-	-	-	-	-	-	-	-	
Rental car gasoline		=	-	-	-	-	-	-	-	-	-	
Totals		=	1,337.93	1,337.93	1,337.93	1,337.93	1,337.93	1,337.93	1,337.93	\$ 9,365.51	\$ 9,365.51	\$ -



SACRS FALL CONFERENCE

NOV. 7-10, 2023 • OMNI RANCHO LAS PALMAS RESORT & SPA • RANCHO MIRAGE, CA

PRELIMINARY AGENDA

TUESDAY, NOVEMBER 7

2:00 PM - 6:30 PM ▶ LOCATION: Fiesta Ballroom Pre-Function

SACRS CONFERENCE REGISTRATION DESK

3:00 PM - 5:00 PM - PRE-CONFERENCE CERTIFICATION SESSIONS

DISABILITY TRAINING ▶ LOCATION: Salons F-G

The Disability Retirement Breakout is an educational breakout session designed to provide attendees with valuable insights and information on various Disability Retirement subjects. This session aims to empower individuals, whether they are employees, trustees, or members, with the knowledge and resources needed to navigate the complexities of disability retirement. This includes understanding eligibility criteria, application processes, legal rights, and financial considerations. Moreover, the program creates a platform for attendees to connect, share experiences, and network within the disability retirement community. Who should attend: Employees considering disability retirement options, employers seeking to support employees in the retirement process, disability advocates and support professionals, human resources and benefits managers, and anyone interested in gaining a better understanding of disability retirement.

SPEAKER: Tamara Caldwell, Disability Retirement Specialist, Supervisor, Los Angeles CERA

MODERATOR: Nicole McIntosh, Director of Disability, Orange CERS

ETHICS TRAINING FOR TRUSTEES AND STAFF: MORE THAN A CONCEPT ▶ LOCATION: Salons 1-2

This ethics training provides the information required for bi-annual training of public officials in California by AB 1234, and it also addresses key considerations for those public officials whose responsibilities arise from their role as trustees or executives of public retirement systems. *This class is pending approval for MCLE credit.

SPEAKER: Ashley Dunning, Partner, Nossaman, LLP

SEXUAL HARASSMENT PREVENTION TRAINING FOR LOCAL AGENCY OFFICIALS ▶ LOCATION: Salons 6-7

Nossaman LLP attorneys John Kennedy and Allison Callaghan will present "Sexual Harassment Prevention Training for Local Agency Officials (AB1661)." AB 1661 requires that if a local agency provides any type of compensation, salary, or stipend to its officials, then all local agency officials of the agency shall receive at least two hours of sexual harassment prevention and education training within the first six months of taking office or commencing employment and every two years thereafter. This interactive training session will meet the requirements under AB 1661 and AB 1825 (sexual harassment prevention training to employees who perform supervisory functions) and assist attendees in preventing inappropriate conduct in the workplace.

*This class is pending approval for MCLE credit.

SPEAKERS: John Kennedy, Partner, Nossaman, LLP and Allison Callaghan, Nossaman, LLP

5:30 PM - 6:30 PM ▶ LOCATION: Starlight Terrace

SACRS NETWORKING RECEPTION



SACRS FALL CONFERENCE

NOV. 7-10, 2023 • OMNI RANCHO LAS PALMAS RESORT & SPA • RANCHO MIRAGE, CA

PRELIMINARY AGENDA

WEDNESDAY, NOVEMBER 8

7:00 AM - 8:00 AM ▶ LOCATION: Las Palmas Lawn

SACRS WELLNESS SESSION - YOGA

Fitting in fitness when away from home is often difficult, but not during SACRS 2023 Fall Conference! We bring a yoga class onsite to start your day the right way. This class, led by a certified yoga instructor, is intended for everyone, beginner to expert. Water and towels provided. Pre-registration is required to participate for conference attendees & guests and a \$15 participation fee.

7:30 AM - 6:00 PM ▶ LOCATION: Fiesta Ballroom Pre-Function

SACRS CONFERENCE REGISTRATION DESK

7:30 AM - 8:30 AM ▶ LOCATION: Starlight Terrace

SACRS BREAKFAST

8:45 AM - 9:00 AM ▶ LOCATION: Las Palmas Ballroom

SACRS WELCOME – David MacDonald, Trustee, Contra Costa CERA and SACRS President

9:00 AM - 10:00 AM ▶ LOCATION: Las Palmas Ballroom

KEYNOTE GENERAL SESSION

The first Vietnamese American woman ever to be elected to the US House of Representatives, Stephanie Murphy provides incisive examination and unique insights on how politics, national security, and business intersect at a time of profound global change. With the expanded use of export controls, sanctions, and industrial policy, Stephanie will draw on her foreign policy, national security and global business experience to identify opportunities and challenges.

Stephanie is a dynamic speaker with an inspiring personal life story to tell. As a refugee escaping communism, rescued at sea by the US Navy and given a chance at the American Dream, her journey from poverty to policymaking is both improbable and inspiring. She is known for being a pragmatic moderate with a significant bipartisan legislative record of achievement informed by prior experiences in strategy consulting, investment management, defense policy and academia. Her commitment to American ideals of democracy and democratic capitalism as the best ways to promote security, justice, and prosperity comes from her experience as an immigrant who saw her native country disfigured by authoritarianism.

Candid, insightful and infused with humor Stephanie will inspire, inform, and entertain SACRS Fall Conference attendees with authenticity, lived experience, and insider Washington stories.

SPEAKER: Stephanie Murphy, Policy Expert, Former U.S. Congresswoman

MODERATOR: Kellie DeMarco

10:00 AM - 10:30 AM ▶ LOCATION: Las Palmas Ballroom Foyer

SACRS NETWORKING BREAK

10:30 AM - 11:30 AM ▶ LOCATION: Las Palmas Ballroom

GENERAL SESSION – ENERGY SECURITY AND THE PRACTICAL REALITIES OF THE ENERGY TRANSITION

Global energy markets are constantly evolving, and the industry is in the early innings of another major energy transition. This transition is one of the greatest challenges of the current era, as it is essential that humankind reduces carbon emissions to mitigate the impacts of climate change while also ensuring access to affordable and reliable energy for economic development and overall quality of life around the world. This session will explore both the challenges and opportunities associated with the energy transition while enabling energy security.

SPEAKER: Wil VanLoh, Founder & Chief Executive Officer, Quantum Capital Group

MODERATOR: Kellie DeMarco



SACRS FALL CONFERENCE

NOV. 7-10, 2023 • OMNI RANCHO LAS PALMAS RESORT & SPA • RANCHO MIRAGE, CA

PRELIMINARY AGENDA

WEDNESDAY, NOVEMBER 8 CONTINUED

11:40 AM - 12:40 PM ▶ LOCATION: Las Palmas Ballroom

GENERAL SESSION – INNOVATIVE CONCEPTS IN PUBLIC PENSION PLAN INVESTMENT PORTFOLIOS: A CONVERSATION WITH CHIEF INVESTMENT OFFICERS FROM OUTSIDE CALIFORNIA

Innovative Concepts in Public Pension Plan Investment Portfolios: A Conversation with CIOs from Outside California. This panel provides an opportunity for the audience to hear from thoughtful investment professionals on how they have researched and implemented new ideas to the benefit of their stakeholders. This session is intended to spark ideas that all SACRS members can take back to their organizations for further conversations.

SPEAKERS: Jason Malinowski, Chief Investment Officer, Seattle City Employees' Retirement System; and TBD

MODERATOR: Cary Hally, Chief Investment Officer, San Antonio Fire & Police Pension Fund

12:45 PM - 1:45 PM

SACRS LUNCH

2:00 PM - 4:30 PM | CONCURRENT SESSIONS

ADMINISTRATORS BREAKOUT - Closed Session

MODERATOR: Eric Stern, Chief Executive Officer, Sacramento CERS

AFFILIATE BREAKOUT – A CURRENT VIEW OF ASSET ALLOCATION ASSUMPTIONS: WHERE ARE WE AND WHERE DO WE GO FROM HERE?

Join us for a panel discussion with senior Consultants regarding what they see today in capital market assumptions, how they dealt with last year, and what may be ahead.

The past few years have been a period of extraordinary investment challenges. 2022 saw sharp losses around the world and across all major asset classes. This led many institutional investors to do asset liability studies in 2023/2024 to reassess longer-term portfolio expectations. This panel will discuss the results of those asset liability studies, the current market assumptions, the return assumptions per asset class, and what asset classes will likely grow over the next one to five years. Don't miss this interactive panel and a chance to get your questions answered.

SPEAKERS: Mika Malone, Managing Principal, Meketa Investment Group, Inc.; Dan Hennessey, Senior Consultant, New England Pension Consultants (NEPC); and Scott Whalen, CFA, Executive Vice President & Senior Consultant, Verus

MODERATORS: Teri Noble, Principal, Investor Relations, HarbourVest Partners, LLC; and Michael Bowman, Senior Vice President, ICG (Intermediate Capital Group)

ATTORNEYS BREAKOUT

MODERATOR: Aaron Zaheen, Deputy Attorney, Tulare CERA

INTERNAL AUDITORS BREAKOUT

LAST PIECE OF THE PUZZLE...DON'T FORGET THE NEW STANDARD OPERATION PROCEDURES TO GO WITH YOUR NEW PAS REPLACEMENT

SPEAKERS: John Katalinich, Senior Account Representative, Levi, Ray & Shoup, Inc.; Kathy Foster, Retired Assistant Chief Executive Officer, Alameda CERA; Cleopatra 'Cleo' Jones, Senior Quality Assurance Analyst, Levi, Ray & Shoup, Inc.; and Jefferey Mills, Vice President, Senior Consultant, Segal

MODERATOR: Harsh Jadhav, Chief of Internal Audit, Alameda CERA

INVESTMENT OFFICERS & STAFF BREAKOUT - Closed Session

MODERATOR: Daryn Miller, Chief Investment Officer, Kern CERA



SACRS FALL CONFERENCE

NOV. 7-10, 2023 • OMNI RANCHO LAS PALMAS RESORT & SPA • RANCHO MIRAGE, CA

PRELIMINARY AGENDA

WEDNESDAY, NOVEMBER 8 CONTINUED

OPERATIONS/BENEFITS BREAKOUT

MODERATOR: Carlos Barios, Assistant Chief Executive Officer, Alameda CERA

SAFETY BREAKOUT

MODERATOR: Brian Williams, Trustee, Deputy Sheriff, Sonoma CERA

TRUSTEE BREAKOUT

MODERATOR: Adele Tagaloa, Trustee, Orange CERS and SACRS Vice President

6:30 PM - 9:30 PM ▶ LOCATION: The Plaza

SACRS ANNUAL WEDNESDAY NIGHT EVENT

THURSDAY, NOVEMBER 9

7:00 AM - 8:00 AM ▶ LOCATION: Fiesta Ballroom Pre-Function

SACRS WELLNESS SESSION – FUN RUN

Your morning starts off with an additional opportunity for teambuilding and networking, while enjoying the early morning air. A SACRS tradition, the 3-mile Fun Run and Walk course is the perfect way to get energized for the conference day ahead. Designed for the walker, jogger, or runner, the course is flat and paved. Pocket maps, Fun Run Swag, water, and a snack at the end of the course will be provided. Volunteers will be located along the route to assist with directions and encouragement. Pre-registration is required to participate for conference attendees & guests and a \$15 participation fee.

7:30 AM - 6:00 PM ▶ LOCATION: Fiesta Ballroom Pre-Function

SACRS CONFERENCE REGISTRATION DESK

7:30 AM - 8:30 AM ▶ LOCATION: Starlight Terrace

SACRS BREAKFAST

8:45 AM - 9:00 AM ▶ LOCATION: Las Palmas Ballroom

SACRS VOLUNTEER AWARDS – David MacDonald, Trustee, Contra Costa CERA and SACRS President

9:00 AM - 10:00 AM ▶ LOCATION: Las Palmas Ballroom

GENERAL SESSION – AI - INTEGRATING MACHINE LEARNING INTO PRIVATE MARKET INVESTMENT

Explore ways that machine learning can be integrated into the investment process and discuss common issues that arise when trying to build-out these capabilities.

SPEAKER: Jonathan Hsu, Co-Founder and General Partner, Tribe Capital

MODERATOR: Greg la Blanc, Lecturer, Distinguished Teaching Fellow, Economic Analysis & Policy, Finance, Haas School of Finance, UC Berkeley

10:00 AM - 10:30 AM ▶ LOCATION: Las Palmas Ballroom Foyer

SACRS NETWORKING BREAK



SACRS FALL CONFERENCE

NOV. 7-10, 2023 • OMNI RANCHO LAS PALMAS RESORT & SPA • RANCHO MIRAGE, CA

PRELIMINARY AGENDA

THURSDAY, NOVEMBER 9 CONTINUED

10:30 AM - 11:30 AM ▶ LOCATION: Las Palmas Ballroom

GENERAL SESSION – CYBER SECURITY

SPEAKERS: Jamil “Jimmy” Hassani, FBI Veteran and Yana Nebyshinets, Victim Specialist, FBI

MODERATOR: Kellie DeMarco

11:40 AM - 12:40 PM ▶ LOCATION: Las Palmas Ballroom

GENERAL SESSION – EXPLORING AFRICA AS AN INVESTMENT OPPORTUNITY

As emerging markets opportunities evolve, this panel will provide pension plans, consultants, and key stakeholders with an overview of the investment landscape in Africa and how U.S. pension plans can benefit from investing in the Continent. Speakers will share insights about the opportunities, including true portfolio diversification, attractive risk adjusted returns, and social/environmental impact. The panel will discuss real versus perceived risks, and risk mitigants that can be utilized. This session will also explore various initiatives of the U.S. Government through Prosper Africa to educate investors, facilitate connections and support mobilizing U.S. capital into Africa.

SPEAKERS: Romi Bhatia, Senior Finance & Investment Officer, United States Agency for International Development, Africa Bureau, Office of Sustainable Development; Nadine Mentor Williams, Senior Managing Director, MiDA Advisors; and Vivian Gray, Trustee, Los Angeles CERA

MODERATOR: Kellie DeMarco

12:45 PM - 1:45 PM ▶ LOCATION: Starlight Terrace

SACRS LUNCH

2:00 PM - 3:00 PM | CONCURRENT SESSIONS

CONCURRENT SESSION A ▶ LOCATION: Salons 1-4

OPPORTUNITIES POST REGIONAL BANKING CRISIS

In the wake of the 2023 regional banking crisis, it is expected that there will be several changes to banking practices, particularly regarding lending and risk management. Jon Imundo, co-head of Credit Risk Sharing at Man Group, will discuss what led to the crisis, what happened during March 2023, and what opportunities we see in the market for private markets investors going forward.

SPEAKERS: Jon Imundo, Co-Head of Credit Risk Sharing, MAN GPM

MODERATOR: Mitchell Taylor, Investment Officer, Contra Costa CERA

CONCURRENT SESSION B ▶ LOCATION: Salons 5-8

ARE YOU READY FOR THE NEXT BLACK SWAN?

SPEAKER: Seth Weingram, Senior Vice President, Acadian Asset Management

MODERATOR: Rebecca Valdez, Chief Investment Officer, Santa Barbara CERS

CONCURRENT SESSION C ▶ LOCATION: Salons A-D

OPERATIONS/BENEFITS – HOW CAN PENSION SYSTEMS USE GENERATIVE AI LIKE CHATGPT OR BARD

There is a growing anticipation among experts that such generative AI tools will significantly impact the way we work. There is also widespread debate over the opportunities, benefits, and risks

SPEAKER: Sandeep Mehta, Chief Technology Officer, Digital Deployment

MODERATOR: TBD



SACRS FALL CONFERENCE

NOV. 7-10, 2023 • OMNI RANCHO LAS PALMAS RESORT & SPA • RANCHO MIRAGE, CA

PRELIMINARY AGENDA

THURSDAY, NOVEMBER 9 CONTINUED

3:00 PM - 3:30 PM ▶ LOCATION: Las Palmas Ballroom Foyer

SACRS NETWORKING BREAK

3:30 PM - 4:30 PM | CONCURRENT SESSIONS

CONCURRENT SESSION A ▶ LOCATION: Salons 1-4

LEGISLATIVE UPDATE 2023

SPEAKERS: Trent Smith, Edelstein Gilbert Robson & Smith

MODERATORS: Eric Stern, Chief Executive Officer, Sacramento CERS and Dave Nelsen, Administrator, Alameda CERA

CONCURRENT SESSION B ▶ LOCATION: Salons 5-8

INVESTING THROUGH THE NOISE

SPEAKERS: Ben Hunt, Co-Founder and Chief Executive Officer, Epsilon Theory

MODERATOR: Tim Price, Chief Investment Officer, Contra Costa CERA

CONCURRENT SESSION C ▶ LOCATION: Salons A-D

OPERATIONS

SPEAKER: TBD

MODERATOR: TBD

CONCURRENT SESSION D

IN SOLIDARITY

Collective bargaining and how it impacts investors.

SPEAKERS: TBD

MODERATOR: Adele Tagalao, Trustee, Orange CERS and SACRS Vice President

4:30 PM - 5:30 PM ▶ LOCATION: Desert Suite 1

SACRS EDUCATION COMMITTEE MEETING

4:30 PM - 5:30 PM ▶ LOCATION: Desert Suite 2

SACRS NOMINATING COMMITTEE MEETING

5:30 PM - 6:30 PM ▶ LOCATION: Starlight Terrace

SACRS RECEPTION



SACRS FALL CONFERENCE

NOV. 7-10, 2023 • OMNI RANCHO LAS PALMAS RESORT & SPA • RANCHO MIRAGE, CA

PRELIMINARY AGENDA

FRIDAY, NOVEMBER 10

7:30 AM - 8:30 AM ▶ LOCATION: Starlight Terrace

SACRS BREAKFAST

9:00 AM - 10:00 AM ▶ LOCATION: Las Palmas Ballroom

GENERAL SESSION – CHANGES IN THE ACTUARIAL LANDSCAPE FOR 2023

Update on changes in actuary-land for 2023, including examples and lessons learned from the new LDROM disclosures, trends in actuarial assumptions, and other hot topics.

SPEAKERS: Graham Schmidt, ASA, Consulting Actuary, Cheiron and Anne D. Harper, FSA, EA, MAAA, Principal Consulting Actuary

MODERATOR: David MacDonald, Trustee, Contra Costa CERA and SACRS President

10:00 AM - 10:15 AM ▶ LOCATION: Las Palmas Ballroom Foyer

SACRS NETWORK BREAK

10:15 AM - 11:30 AM ▶ LOCATION: Las Palmas Ballroom

SACRS ANNUAL BUSINESS MEETING

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

Tyler Whitezell, Chair
Phil Franey, Vice-Chair
Jeanine Adams
David Couch
Juan Gonzalez
Joseph D. Hughes
Jordan Kaufman
Rick Kratt
John Sanders
Dustin Contreras, Alternate
Chase Nunneley, Alternate
Robb Seibly, Alternate

Date: October 11, 2023
To: Trustees, Board of Retirement
From: Daryn Miller, CFA, Chief Investment Officer
Subject: Policy Benchmark Correction

CONSENT MEMO

The Board approved an updated Policy Benchmark within the Investment Policy Statement (IPS) revision at the September 13, 2023 Board meeting. Staff realized the revised IPS included a typographical error for the Credit portion of the Policy Benchmark. The *JP Morgan CLOIE AAA Index* had been incorrectly labeled as the *JP Morgan CLOIE AA Index*. Staff seeks the Board's approval to revise the Investment Policy Statement to reflect the correct benchmark which is the *JP Morgan CLOIE AAA Index*.

Note: The appropriate index (JP Morgan CLOIE AAA Index) was used for all analytics and modeling necessary to arrive at the updated Policy Benchmark.

Credit	10.0%	5% Securitized (50% Bloomberg Non-Agency CMBS Index; 33.33% Bloomberg ABS Index; 16.67% JP Morgan CLOIE AAA Index) 2.5% Morningstar LSTA Leverage Loan Index 2.5% JP Morgan Emerging Market Bond Index Global Diversified
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KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

PRIVATE CREDIT IMPLEMENTATION PLAN

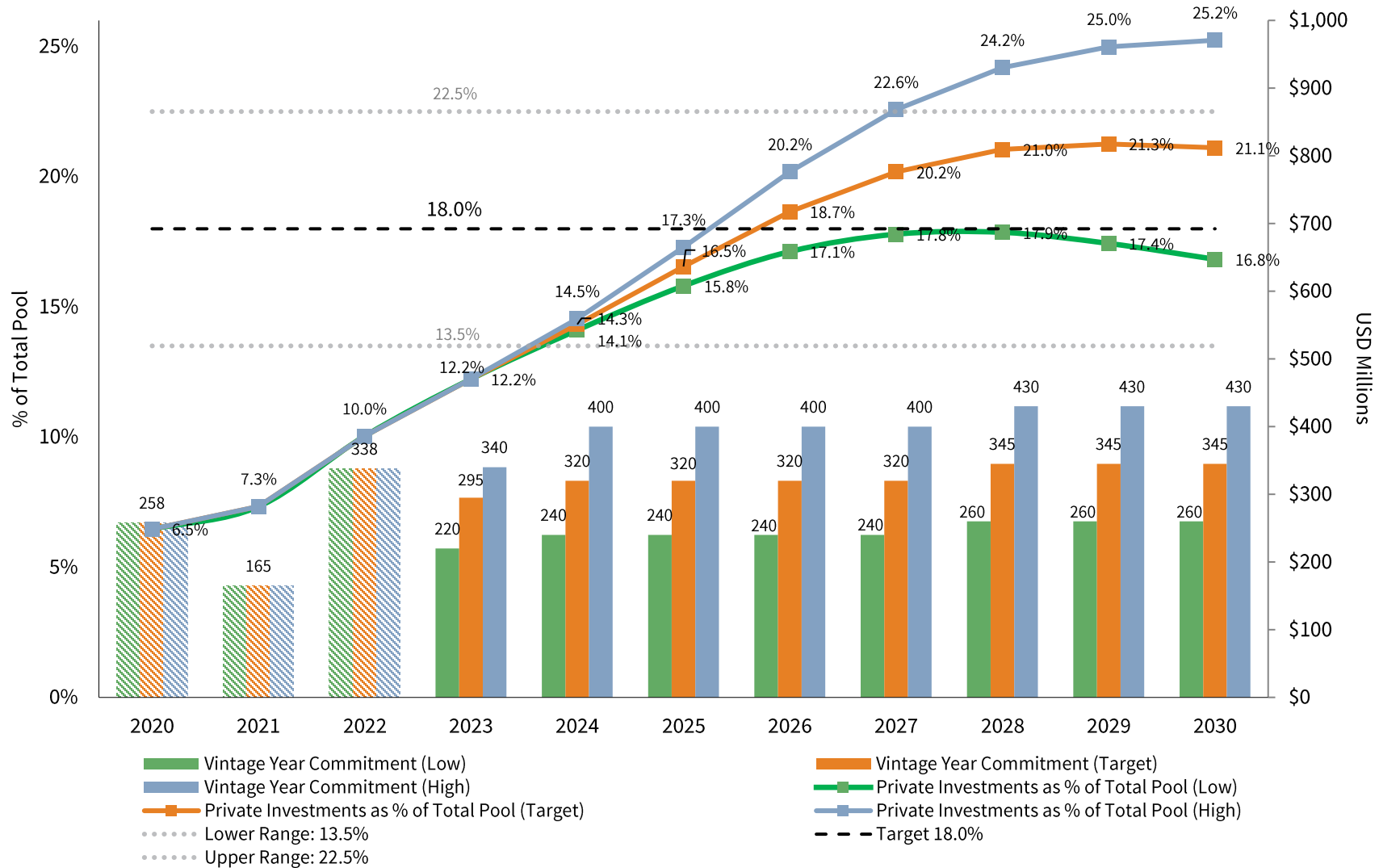


CAMBRIDGE FIFTY
ASSOCIATES YEARS

OCTOBER 2023

Total Private Markets Commitment Pacing

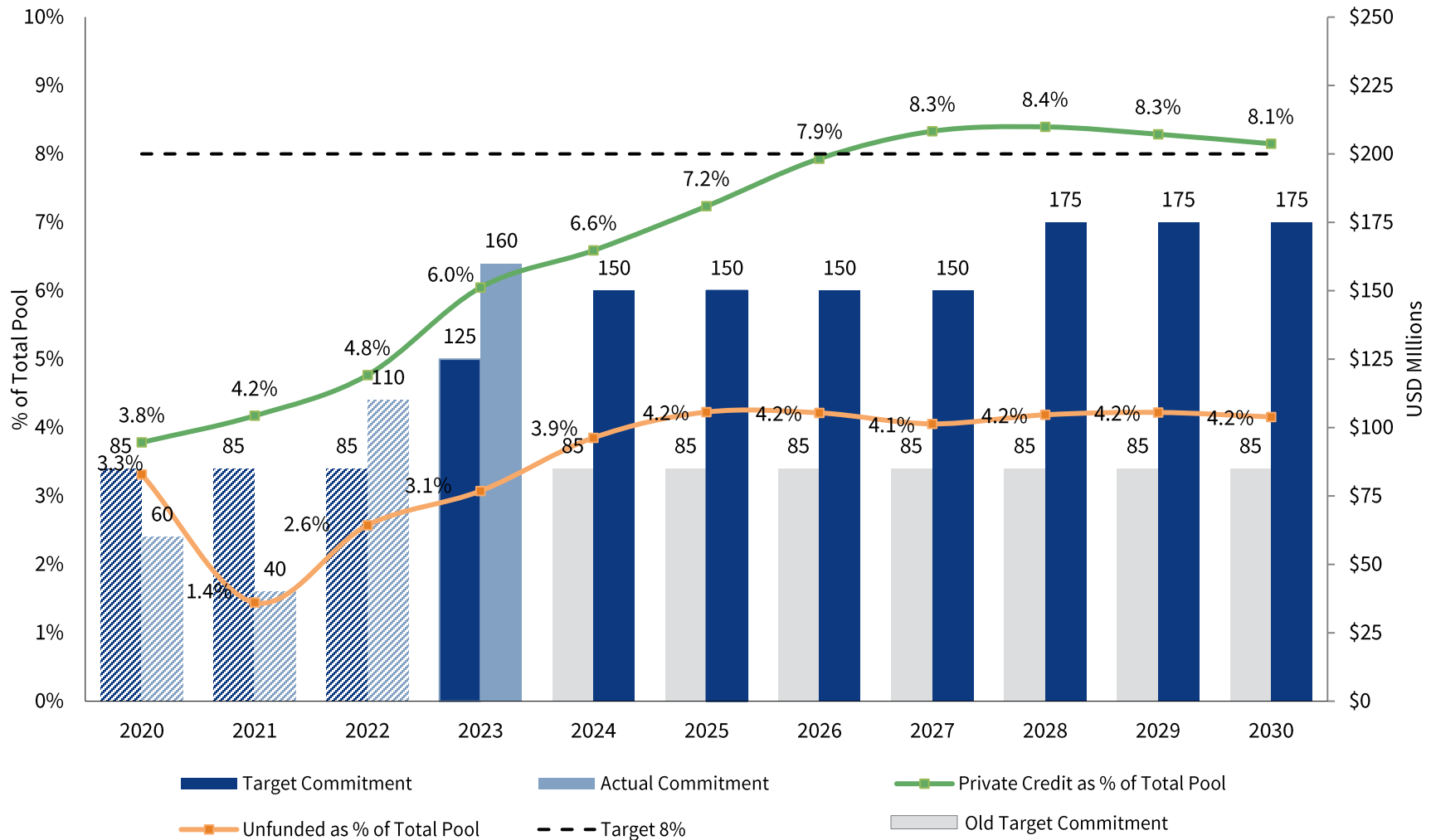
Revised for New 8% Private Credit Target



Note(s): Beginning PE market value and cash flows are as of March 31, 2023. Starting total pool value of \$5.3 billion as of 9/15/23. 2023 Targeted commitments are \$295m, with \$220m committed to date. Model assumes 4.0% annual pool growth rate. Figures shown may differ slightly due to rounding. Target range represents a ±25% deviation from the 18% target which is a lower bound of 13.5% and upper bound of 22.5%.
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Private Credit Commitment Pacing

Revised for New 8% Private Credit Target



Note(s): Beginning PE market value and cash flows are as of March 31, 2023. Starting total pool value of \$5.3 billion as of 9/15/23. 2023 Commitments include: Ares Senior Direct Lending Fund III (\$30m), Ares Pathfinder Fund II (\$30m) Cerberus Levered Loan Opportunities Fund V (\$30m), Silver Point Specialty Credit Fund III (\$30m), & one potential re-up (\$40m). Model assumes 4.0% annual pool growth rate. Figures shown may differ slightly due to rounding. Copyright © 2023 by Cambridge Associates LLC. All rights reserved.

Private Credit Portfolio Update and Go-Forward Priorities

- As of March 31, 2023, KCERA's Private Credit portfolio NAV stood at \$251.8 million, or ~4.8% of total plan assets ¹, relative to its newly established 8% target
- Exposures are diversified across credit opportunities, direct lending, and specialty finance strategies, in order of concentration
- In 2023, due to increases in base rates and spreads, KCERA committed to three new direct lending strategies; they complement existing exposures in global credit strategies and healthcare royalties
- Go-forward priorities through 2024 include:
 - Re-underwriting existing relationships as managers come back to market
 - Adding complementary opportunities to the existing roster, such as compelling specialty finance strategies and diversifying non-corporate exposures
 - Monitoring the stressed / distressed cycle

	<i># of Manager Relationships</i>	<i>Target Returns (net)</i>	<i>Sub-Strategies</i>	<i>Current Priorities / Potential Areas of Focus</i>
Private Credit	6-12	10-12% IRR 1.4X-1.7X	Direct Lending Credit Opportunities Niche/Specialty Finance	Niche Specialty Lending Complementary Non-Corporate Exposures Monitor Stressed/Distressed Cycle

Private Credit Implementation Plan (Revised for New 8% Target)

STRATEGY	DISTRESSED	CREDIT OPPORTUNITIES	PRIVATE CREDIT
WEIGHTING (% OF TOTAL PRIVATE CREDIT ALLOCATION)	0%-25%	30%-70%	30%-70%
# OF MANAGER RELATIONSHIPS	0-2	3-6	4-6
COMMITMENT SIZING	\$20-50M	\$20-50M	\$30-50M
TARGET RETURN	12-15%	10-13%	9-12%
TARGET MULTIPLE	1.7X	1.5X	1.4X
FOCUS	<ul style="list-style-type: none"> ▪ Special situations ▪ Distressed credit ▪ Distressed assets and ABS 	<ul style="list-style-type: none"> ▪ Credit opportunities ▪ ABS ▪ Intellectual property ▪ Litigation finance ▪ Royalties ▪ Life settlements 	<ul style="list-style-type: none"> ▪ Senior secured lending/direct lending ▪ Capital solutions

Total Private Credit Portfolio Targets (net): 10-12% IRR; 1.4-1.7x Multiple



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Kern County Employees' Retirement Association— Strategic Plan Update

Julie Becker, Partner

Benita Falls Harper, Associate Partner

October 11, 2023



Strategic Plan: Organizes Board Objectives

1 Contains short term and long-term goals

2 Plan termed for three years and can be updated periodically by noting accomplishments



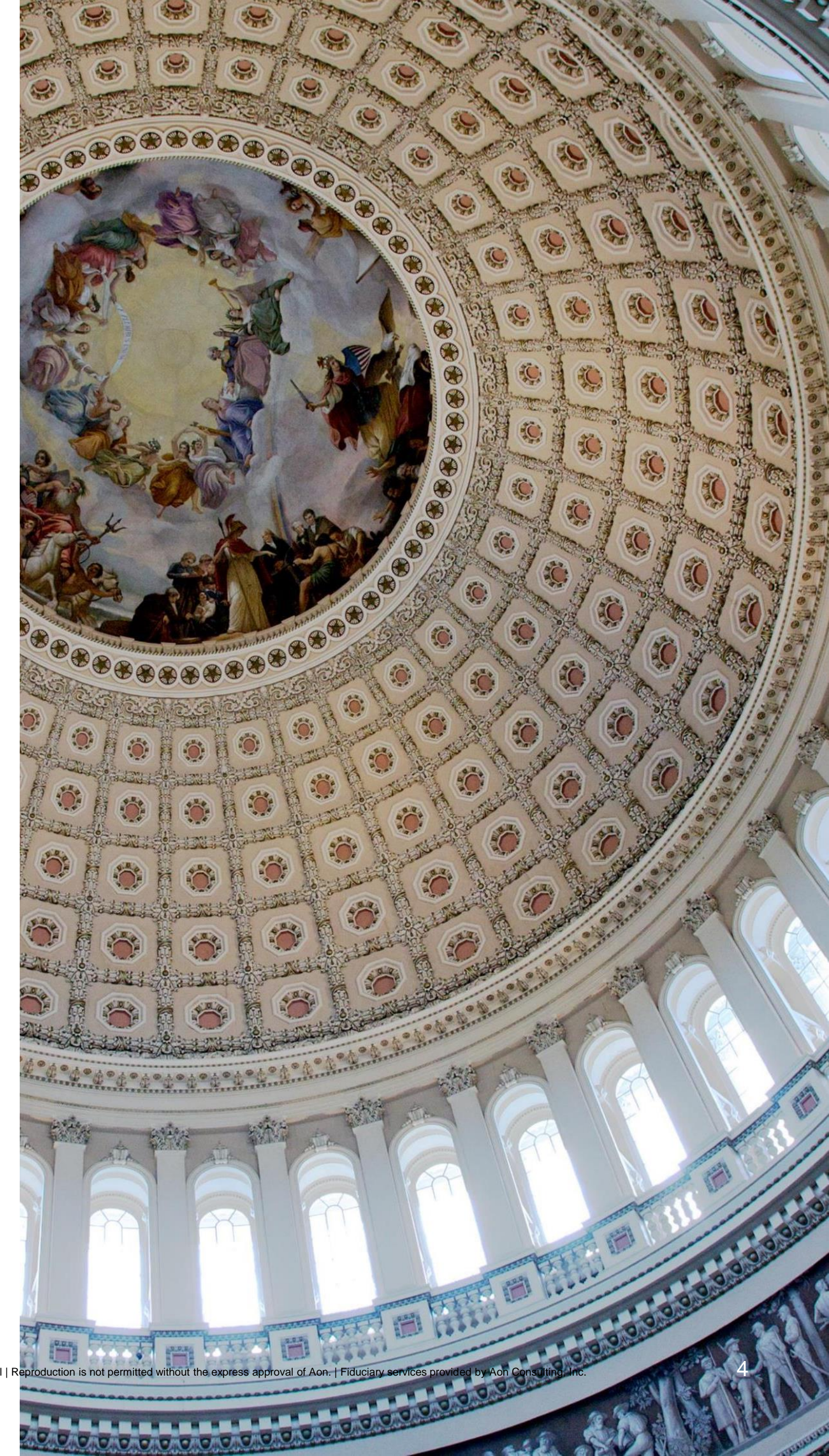
Purpose of Mission and Vision Statements

A mission statement provides the purpose and objectives in the present and describes what KCERA does, who it does it for, and the benefit that it provides.

The vision statement describes where KCERA hopes to go in the future. It is aspirational and inspirational.

Mission Statement – Revised

KCERA's mission is to **expertly** administer retirement benefits, **prudently** invest the assets of the Association, and provide quality membership services to eligible public employees, retirees and their beneficiaries.



Vision Statement – New

Recommended:

To be a trusted pension partner, delivering financial security and accurate information through a commitment to expertise, innovation, and continual improvement.

Options:

To be a constant source of financial security, a beacon of information, and a model of performance excellence for its members and plan sponsors.

To help members understand, trust, and value their pension.

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KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Memorandum from the
Office of the Chief Executive Officer
Dominic D. Brown

Date: October 11, 2023

To: Trustees, Board of Retirement

From: Dominic D. Brown, Chief Executive Officer

Subject: SACRS 2023 Fall Conference Voting Delegate

It is recommended that your Board appoint a voting delegate and alternate voting delegate to represent KCERA at the SACRS 2023 Fall Conference Business Meeting held on Friday, November 10, 2023. The following trustees have registered to attend the conference:

David Couch
Phil Franey
Juan Gonzalez
Joseph D. Hughes
Jordan Kaufman
Rick Kratt
Chase Nunneley

Alternatively, the Board may appoint the Chief Executive Officer as the voting delegate to cast votes at the Business Meeting in accordance with the Board's directive.

Attachment



SACRS VOTING PROXY FORM

The following are authorized by the _____ County Retirement Board to vote on behalf of the County Retirement System at the upcoming SACRS Conference

(If you have more than one alternate, please attach the list of alternates in priority order):

_____ Voting Delegate

_____ Alternate Voting Delegate

These delegates were approved by the Retirement Board on ____ / ____ / ____.

The person authorized to fill out this form and submit electronically on behalf of the Retirement Board:

Signature: _____

Print Name: _____

Position: _____

Date: _____

Please send your system's voting proxy by October 1, 2023, to Sulema Peterson, SACRS Executive Director at Sulema@sacrs.org.

**No Material
to be Distributed**



Chief Executive Officer's Report

Presented by: Dominic D. Brown, CPA, CFE

October 2023



Office Update

- Staffing
 - Recruitments: Deputy/Senior Deputy Chief Legal Officer, KCERA Accountant I/II, Administrative Specialist/Senior Specialist, Member Services Technician
 - Certification Pay for Eligible Positions Approved by the County
- Member Outreach: Retirement Seminar, new lobby slide show and YouTube update, department presentation at Veterans' Services, County New Employee Orientation
- Disability Update
- Solar Update



Operations Activity

- Member Services
 - 21 new retirements and calculations
 - 45 death benefit calculations
 - 103 service-credit purchase calculations
 - 61 retirement estimates
 - 161 new active members
 - 104 terminations with disposition packets
 - 28 in-person appointments
 - 148 walk-ins
 - 674 phone calls
 - 225 emails
- Communications
 - Kern County Career Expo
 - Monitoring website traffic analytics
 - Branding
 - County PIOs
- Accounting & Reporting
 - Service Purchases – 45 days
 - ACFR Preparation
- Information Technology
 - Retro Split Project
 - Tax withholding update for retirement estimates
 - Final upgrades for Boardroom



Upcoming Events

- Administrative Committee – No meetings currently scheduled
- Finance Committee – Meeting to be scheduled soon
- Investment Committee – Currently scheduling a meeting for late October
- Nominating Committee – To be scheduled in conjunction with November Board Meeting
- Board of Retirement – Next regular monthly meeting will be November 1, 2023 (*early due to Fall SACRS Conference*)





CIO REPORT

INVESTMENT
PROGRAM
UPDATE

October 2023

Presented by:

Daryn Miller, CFA

Chief Investment Officer



Rebalancing

SEPTEMBER ACTIVITY

- Commodities
 - Sell \$20MM Wellington
- Midstream
 - Sell \$15MM Harvest
 - Sell \$5MM PIMCO Midstream
- Hedge Fund
 - Sell \$5MM Hudson Bay
- Alpha Pool
 - Sell \$10MM HBK
- Cash
 - Buy \$50MM Blackrock Short Duration

Reporting period covers 09/01/2023 to 09/30/2023

Asset Class	Actual	Policy Target	Adj. Policy Target	Diff. Act. vs. Adj. Pol.
Public Equities	31.5%	33.0%	34.0%	-2.5%
Fixed Income	24.5%	25.0%	28.2%	-3.7%
Core	15.8%	15.0%	18.2%	-2.4%
Credit	8.7%	10.0%	10.0%	-1.3%
Commodities	4.3%	4.0%	4.0%	0.3%
Hedge Funds	10.4%	10.0%	10.0%	0.4%
Alpha Pool	4.3%	8.0%	8.0%	-3.7%
Midstream Energy	5.7%	5.0%	5.0%	0.7%
Core Real Estate	5.7%	5.0%	7.4%	-1.7%
Private Real Estate	2.6%	5.0%	2.6%	0.0%
Private Equity	4.0%	5.0%	4.0%	0.0%
Private Credit	4.8%	8.0%	4.8%	0.0%
Opportunistic	3.1%	0.0%	0.0%	3.1%
Cash	-1.0%	-8.0%	-8.0%	7.0%
Total	100.0%	100.0%	100.0%	0.0%

Positioning

ACTUAL VS POLICY TARGET

Public Equity: underweight vs. policy target and adjusted policy target. Underweight is primarily in domestic large cap.

Core Fixed Income: overweight vs. policy target and underweight vs. adjusted policy target. The adjusted policy target was lowered due to Policy change where the underweight to Private Real Estate is now allocated to Core Real Estate instead of Core Fixed Income.

Private Equity: underweight is reallocated to other asset classes where we see better return opportunity than Public Equity, including **Midstream**, and **Opportunistic**.

Private Credit: underweight has recently increased due to increasing the Strategic Asset Allocation Private Credit target from 5% to 8%.

Asset allocation reflects the Strategic Asset Allocation approved at the August 2023 Board meeting and updated Investment Policy Statement approved at the September 2023 Board meeting.

As of September 30, 2023. Source: KCERA.



Key Initiatives

Enhancing return while managing risk

- Currency management
- Improve hedge fund program returns
- Multi-asset research / tactical asset allocation
- Opportunistic investments
- Private Markets
- Repositioning fixed income

Investment Committee Meetings

Next meeting October — date TBD

The next IC meeting agenda will include the following items:

- Private Market fund recommendation

The last IC meeting was held on September 5th





CLO Report October 2023

Jennifer Esquivel Zahry, Chief Legal Officer
Maggie Peralta-Lee, KCERA Senior Paralegal
Irma Chavez, KCERA Senior Legal Secretary
Sofia Reyes, Senior Paralegal (Ret.)

Legal Updates

- *Utah v. Walsh*, N.D. Tex., No. 2:23-cv-00016, 9/21/23
 - Summary Judgment in favor of Dept. of Labor Rule 2022 – Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights
 - Court dismissed suit by Attorneys General of coalition of 25 states
- 2020 Rule vs. 2022 Rule – the extent to which ESG factors could be considered under ERISA
 - Before 2020 Rule – DOL’s general position allowed a fiduciary to consider collateral or non-pecuniary benefits in the selection of competing investments
 - 2020 Rule – fiduciary could only consider ESG factors in a tiebreaker situations where fiduciary was not able to distinguish between two investments on pecuniary factors alone. Strict documentation standards required if ESG factors employed.
 - 2022 Rule – Clarified that fiduciaries could only consider ESG factors that are relevant to an investment’s expected risk return. Eliminated QDIAs, monitoring and recordkeeping requirements.

Legal Updates

- January 2023 lawsuit alleged 2022 Rule:
 - “undermined the protection of retirement savings” in the name of promoting ESG factors
 - was arbitrary and capricious and that the rule exceeded DOL’s statutory authority
- Under *Chevron v. Nat. Res. Def Council, Inc.*, 467 US 837 (1984) 2022 Rule must be upheld unless
 - Congress had directly addressed the issue, and
 - the agency’s rule was contrary to statute
- Court found in favor of DOL on both

Legal Updates

- 2022 Rule is Consistent with ERISA:
 - 2022 Rule does not “establish a mandate that ESG factors are relevant in every circumstance, nor does it create an incentive for a fiduciary to put a thumb on the scale in favor of ESG factors.” 87 Fed. Reg. at 73831.
 - “[a] fiduciary must not expect reduced returns or greater risks to secure such additional benefits.” 29 CFR 2550.404a-1(c)(2).
- 2022 Rule is not Arbitrary or Capricious
 - DOL explained 2022 Rule enacted to clarify use of ESG factors by fiduciaries. Cited to comments it received in response to 2020 Rule re confusion over the consideration of ESG factors and the “chilling effect” on fiduciaries’ use of ESG factors, even when pertinent to their investment decision.

Legislative Updates



- Disability Retirement Presumptions
 - AB 1020 – Enrolled and presented to Governor 9/14/23
- Remote Meeting Bills
 - AB 557 – (eliminated sunset date for teleconferencing during state of emergency) Enrolled and presented to Governor 9/15/23
 - SB 537 – (multi-jurisdictional teleconferencing) Moved to inactive file



October Calendar

	Pending CLO Review
Operational Contracts	3
Investment/ Custodial Documents	5
Disability Matters	11
Community Property Matters	3
Staff Inquiries	16
Member Inquiries	2
Board/Committee Meetings/Staff Meetings/ Conferences	15
Special Projects	5



Federal Court Rejects States' Challenge to DOL's ESG Investing Rule

09.25.2023 | By [Ashley K. Dunning](#), [Michelle McCarthy](#)

On September 21, 2023, a federal judge in Texas granted summary judgment in, and thus dismissed, a lawsuit filed by the Attorneys General of 25 states and other interested parties challenging a final rule issued by the U.S. Department of Labor (DOL) regarding the use of certain environmental, social and governance (ESG) considerations by fiduciaries in their investment decision-making.¹ The final rule (Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights (the 2022 Rule)) took effect on January 30, 2023.

Background

The key factor with respect to ESG investing in the context of the Employment Retirement Income Security Act of 1974 (ERISA) is the extent to which ESG factors may be considered by a fiduciary consistent with the fiduciary's duties of loyalty and prudence to plan participants and beneficiaries. Although, historically, the DOL has taken a more expansive or restrictive view of the issue based on the then current presidential administration, it has consistently posited that a fiduciary is not precluded from considering collateral or non-pecuniary benefits in the selection of competing investments that serve the plan's economic interests equally.

In 2020 the DOL issued regulations (the 2020 Rule) indicating that ESG factors may only be considered in a tiebreaker situation where fiduciaries are unable to distinguish between investments on the basis of pecuniary factors alone. The 2020 Rule also imposed a stringent documentation requirement where ESG factors were employed. In subsequent comments received by the DOL in response to the 2020 Rule, commentators expressed confusion over whether ESG factors could ever be considered financially material.

To address these concerns, the DOL issued the 2022 Rule clarifying that ERISA fiduciaries may take into account ESG factors that are relevant to an investment's expected risk-return, restating the ESG tiebreaker

rule, but not to obtain collateral benefits. The 2022 Rule also eliminated special requirements concerning the selection of qualified designated investment alternatives (QDIAs), as well as the monitoring and recordkeeping requirements which previously had to be employed with respect to proxy voting.

A coalition of states² subsequently brought suit in January 2023 alleging that the 2022 Rule “undermines key protections for retirement savings of 152 million workers – approximately two-thirds of the U.S. adult population and totaling \$12 trillion in assets – in the name of promoting ESG factors in investing, including the Biden Administration’s stated desire to address climate change.” The plaintiff’s complaint further alleged that the 2022 Rule was both arbitrary and capricious and overstepped the statutory authority granted the DOL under ERISA.

Applicable Standard of Review

In analyzing whether the 2022 Rule violates ERISA, U.S. District Judge Matthew J. Kacsmaryk invoked the analytical framework outlined in *Chevron USA Inc. v. Nat. Res. Def Council, Inc.*, 467 U.S. 837 (1984), requiring courts to first analyze whether Congress has directly spoken to the question at issue and assuming that Congress has not addressed the issue or the statute is ambiguous, courts must second determine whether the agency’s rule was either “manifestly contrary to statute” or “arbitrary and capricious” and must not disturb the agency’s ruling unless so.

In applying this two-part framework, Judge Kacsmaryk determined that the DOL prevails at both steps. First, insofar as ERISA does not contemplate the possibility of two financially equivalent investment options, Congress has not spoken to the question at issue. Secondly, the reasonableness of the DOL’s interpretation is supported by its prior rulemakings which posit that ESG factors may have a financially material impact on the value of an investment and failure to consider them, in certain circumstances, could constitute a violation of a fiduciary’s duty of prudence.

The 2022 Rule is Consistent with ERISA

In its 2020 rulemaking, the DOL determined that collateral factors may be considered when a fiduciary is “unable to distinguish” between two financially equivalent investment options. The 2022 Rule reworked this tiebreaker test somewhat, allowing the use of ESG factors when fiduciaries are faced with two options that “equally serve” the plan’s financial interests. Although the latter test is understood to be less burdensome than the former, Judge Kacsmaryk determined that this modification changes little between the two rules.

The court further observed that the DOL clarifies in its 2022 Rule, even where collateral benefits are considered in a tiebreaker situation, a fiduciary must not “accept expected reduced returns or greater risks to secure such additional benefits.” 29 C.F.R. § 2550.404a-1(c)(2). Rather, the 2022 Rule “makes unambiguous that it is not establishing a mandate that ESG factors are relevant under every circumstance, nor is it creating an incentive for a fiduciary to put a thumb on the scale in favor of ESG factors.” 87 Fed. Reg. at 73831.

Thus, after granting the DOL the deference it should be afforded under *Chevron*, Judge Kacsmaryk concluded that the 2022 Rule was not manifestly contrary to ERISA.

The 2022 Rule is Neither Arbitrary nor Capricious

In analyzing whether the 2022 Rule satisfies the “arbitrary and capricious” standard set forth under the Administrative Procedures Act (APA), Judge Kacsmaryk noted that the court should not substitute its own judgment for that of the agency. Nevertheless, the agency must have considered all important aspects of the problem, examined all relevant data and be able to “articulate a satisfactory explanation for its action, including a rational connection between the facts found and the choice made.”

In enacting the 2022 Rule the DOL explained that its prior position on ESG considerations, as set forth in its 2020 Rule, created confusion and had a “chilling effect” on fiduciaries’ invocation of ESG factors, even when pertinent to their investment decision, as evidenced by the comments received by the DOL in response to the 2020 ruling. To allay these concerns, the DOL issued the 2022 Rule, clarifying that risk-return considerations can include ESG factors, but need not to where an ESG-focused investment is not in fact prudent.

The plaintiffs also raised a number of alternative arguments, similarly dispensed with by Judge Kacsmaryk, regarding the elimination of the prohibition on proxy voting rights to promote non-pecuniary goals (already required of fiduciaries), the removal of restrictions on qualified default investment alternatives (QDIAs) (most commentators felt the restrictions unnecessary), the elimination of the collateral benefit disclosure requirement (already required of fiduciaries) and whether the DOL could have accomplished its objectives through the issuance of sub-regulatory guidance as opposed to an amended regulation (sub-regulatory guidance would not have eliminated the “chilling effect” created by the 2020 Rule).

After considering all of these factors, the court held that the plaintiffs failed to establish an APA violation and, thus, ruled in favor of the DOL on summary judgment.

Implications of the Ruling

Although the DOL initially expressed skepticism over the venue and requested a change – which was rejected – Judge Kacsmaryk – a Trump-appointee – found in favor of the agency, noting that “while the Court is not unsympathetic to plaintiff’s concerns over ESG investing trends, it need not condone ESG investing generally or ultimately agree with the Rule to reach this conclusion.”

Meanwhile, a separate lawsuit challenging the 2022 Rule, filed by two individual plan participants in the U.S. District Court for the Eastern District of Wisconsin, Milwaukee Division, is still ongoing.

¹*Utah v. Walsh*, N.D. Tex., No. 2:23-cv-00016, 9/21/23.

²The states participating in the suit were Utah, Texas, Virginia, Louisiana, Alabama, Alaska, Arkansas, Florida, Georgia, Indiana, Idaho, Iowa, Kansas, Kentucky, Mississippi, Missouri, Montana, Nebraska, New Hampshire, North Dakota, Ohio, South Carolina, Tennessee, West Virginia, and Wyoming.