

**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  
Deon Duffey  
Juan Gonzalez  
Joseph D. Hughes  
Jordan Kaufman  
Rick Kratt  
John Sanders  
Tyler Whitezell  
Dustin Contreras, Alternate  
Chase Nunneley, Alternate  
Robb Seibly, Alternate

November 27, 2024

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

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

Ladies and Gentlemen:

A meeting of the Kern County Employees' Retirement Association Administrative Committee will be held on Wednesday, December 4, 2024 at 10:30 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 (for best audio a landline is recommended) and enter ID# 844 5216 8478

- (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/84452168478?pwd=unuMMPARcGPSpTUrwB1haxgMn6upFc.1>
- Passcode: 603989

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](mailto: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](http://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](mailto: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 trustee(s) request to appear remotely:*

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) – RECEIVE/HEAR REQUEST(S); NO COMMITTEE ACTION REQUIRED
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 DUE TO EMERGENCY CIRCUMSTANCE

### **ADMINISTRATIVE MATTERS**

3. [Presentation on proposed revisions to KCERA's Service Provider Evaluation Policy](#) presented by Chief Executive Officer Dominic Brown and Chief Legal Officer Jennifer Zahry – RECOMMEND THE BOARD OF RETIREMENT APPROVE PROPOSED CHANGES

### **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.

### **CALL FOR PUBLIC COMMENT ON EXECUTIVE SESSION ITEM(S)**

#### **EXECUTIVE SESSION**

5. CONFERENCE WITH LABOR NEGOTIATORS REGARDING UNREPRESENTED EMPLOYEE (pursuant to Government Code §54957.6(a))  
  
Agency Designated Representatives: Juan Gonzalez and Joseph D. Hughes;  
Unrepresented Employee: Chief Executive Officer
6. PUBLIC EMPLOYEE PERFORMANCE EVALUATION (pursuant to Government Code §54957): Title: Chief Executive Officer

### **RETURN TO PUBLIC SESSION**

### **ROLL CALL TO CONFIRM QUORUM**

### **REPORT OF EXECUTIVE SESSION ACTIONS, IF APPLICABLE**

### **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

**Date:** December 4, 2024

**To:** Trustees, Administrative Committee

**From:** Jennifer Esquivel Zahry, Chief Legal Officer  
Kristen McDonald, Deputy Chief Legal Officer

**Subject:** **Updates to Service Provider Evaluation Policy**

KCERA's Service Provider Evaluation Policy has been updated. In addition to certain non-substantive technical updates for clarity and form, the proposed updated version of the Policy specifies when proposals submitted in response to a Request for Proposal shall be made available upon a public records request. This change aligns with the requirements of the California Public Records Act.

In accordance with the California Public Records Act, proposals submitted in response to an RFP shall be made available upon a public records request only after:

- (1) the proposal evaluation process is complete;
- (2) a contract has been negotiated; and
- (3) notice of intent to award has been made and/or the contract is placed on a Board of Retirement meeting agenda.

Staff recommends that the Administrative Committee make a recommendation to the Board to approve these updates.



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## **SERVICE PROVIDER EVALUATION POLICY**

### **BACKGROUND**

- 1) In keeping with good fiduciary practice, KCERA recognizes the need to ensure mechanisms exist for regularly evaluating the performance of its service providers. This policy sets out various guidelines intended to facilitate evaluations.
- 2) While KCERA shall exercise prudence and care in overseeing all of its service providers, this policy applies to those service providers which KCERA deems to be “Key Service Providers”. These include:
  - a) The consulting actuary
  - b) The auditor
  - c) The investment consultants
  - d) The custodian
  - e) Legal counsel
- 3) Investment managers shall be evaluated according to investment policies and practices that have been developed by KCERA in consultation with its investment consultants.

### **GUIDELINES**

- 4) KCERA's Key Service Providers provide sophisticated services and advice. Accordingly, overseeing such service providers is complex and requires a combination of subjective and objective methods.
- 5) With the exception of the auditor, Management shall be responsible for determining the most effective methods for evaluating Key Service Providers and for performing the evaluations, and shall regularly inform the Board of the methods and results. The Finance Committee, consistent with its Charter, shall be responsible for both reviewing the engagement of the financial auditor approximately every five (5) calendar years with regards to performance, internal quality control procedures, fees, qualifications, and independence, and for making recommendations to the Board. In so doing, the Finance Committee may seek appropriate support from Management.

- 6) Notwithstanding anything contained herein, the frequency of service provider evaluations shall be subject to the limitations of staff time and resources.

#### Subjective Evaluation Methods

- 7) Key service providers shall periodically be evaluated on the basis of subjective criteria such as responsiveness, communications, quality of advice, and service quality.
- 8) KCERA Management may use surveys, discussion guides, or other tools it deems appropriate to help conduct such evaluations. The Chief Executive Officer shall determine which staff members shall participate in the evaluation of each service provider.
- 9) KCERA Management may solicit input from the Board regarding the performance of Key Service Providers using surveys or other appropriate tools.
- 10) It is expected that some of KCERA's Key Service Providers will occasionally administer their own proprietary surveys to assess their clients' satisfaction levels. In such cases, KCERA Management may elect to participate in the service provider's survey and may consider the results of such an assessment as part of the Service Provider's periodic evaluation.
- 11) The Chair and the Chief Executive Officer may meet with the service provider in question to review evaluations and discuss any actions that may arise from the evaluation. Committee chairs may also participate in the meetings as set out below:
  - a) Review of investment consultant – Investment Committee Chair
  - b) Review of actuary – Finance Committee Chair
  - c) Review of auditor – Finance Committee Chair
  - d) Review of custodian – Administrative Committee Chair
  - e) Review of ~~Legal~~ legal counsel – Administrative Committee Chair

#### Objective Evaluations

- 12) In addition to subjective evaluations, Management may periodically undertake objective evaluations of Key Service Providers, as appropriate, and will inform the Board of ~~its~~ the findings.
- 13) Objective evaluations of Key Service Providers may address issues including, but not limited to, technical proficiency, accuracy, cost effectiveness, and independence.

Where feasible, such evaluations may involve assistance from independent third-party experts.

14) Methods for evaluating technical proficiency may include, but are not limited to, the following:

- a) Periodically retaining an actuarial auditor to audit the actuarial methods and accuracy of the consulting actuary;
- b) Periodically reviewing peer assessments of the financial auditor; and
- c) Obtaining independent evaluations of the investment consultant and the custodian. For example, the investment consultant may assist in evaluating the custodian, and other specialized consultants may exist that evaluate investment consultants.<sup>1</sup> Alternatively, KCERA may consider any independent evaluations that may be published by industry trade journals such as Plan Sponsor Magazine or Pension and Investments Magazine.

15) Management will strive to periodically evaluate the independence and objectivity of Key Service Providers by requesting that Key Service Providers:

- a) Disclose actual or potential conflicts of interest;
- b) Indicate compliance with industry or regulatory standards or guidelines concerning conflicts of interest (e.g. the guidelines for independence set out by the U.S. Securities and Exchange Commission concerning investment consultants);<sup>2</sup> or
- c) Disclose any other information that may indicate an impediment to the service provider's objectivity.

#### Requests for Proposals (RFP) for Current Service Providers

**16)** All relationships with Key Service Providers will be formally reviewed from time-to-time to determine whether an RFP or other suitable undertaking (e.g. issuing requests for information or undertaking other research) should be initiated to confirm the suitability of the current relationship or to seek an alternative supplier. The timing of such reviews will be staggered to reflect available time and resources within KCERA, but should generally occur approximately every five (5) calendar years. In each case, following such reviews, Management will provide a recommendation to the Board as to whether an RFP or other undertaking should be initiated.

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<sup>1</sup> Management is currently unaware of any consultants that specialize in evaluating investment consultants, but consultants but will monitor the marketplace for such services.

<sup>2</sup> U.S. Securities and Exchange Commission, Selecting & Monitoring Pension Consultants: Tips for Plan Fiduciaries.

- a) In accordance with the California Public Records Act, proposals submitted in response to an RFP shall be made available upon a public records request only after:
- i) the proposal evaluation process is complete,
  - ii) a contract has been negotiated, and
  - iii) notice of intent to award has been made and/or the contract is placed on a Board of Retirement meeting agenda.

~~16)~~17) Notwithstanding paragraph 16 above, the following provisions specifically address audit and actuarial services:

- a) In the case of audit services, the Board and Finance Committee wish to periodically obtain a fresh perspective on the preparation and presentation of the annual financial statements and review of internal controls. To do so, a request for proposals for audit services may be issued approximately every six (6) calendar years, or more often if appropriate. The audit firm currently providing services to the Board need not be excluded from consideration, but, if selected, shall be required to change the partner supervising the KCERA audit and the firm's audit manager on the KCERA account. In deciding whether a change in audit firms is indicated, the Board's primary consideration shall be to obtain the most qualified and independent firm with experience in conducting audits for public pension systems of comparable size and composition to KCERA.
- b) In the case of actuarial services, KCERA may issue a request for proposal for actuarial services approximately every six (6) calendar years, or more often as it deems appropriate. The actuarial firm currently providing services to the Board need not be excluded from consideration. In deciding whether a change in actuarial firms is indicated, the Board's primary consideration shall be to obtain the most qualified and independent firm with experience in providing actuarial services for public pension systems of comparable size and composition to KCERA. In accordance with the Monitoring and Reporting Policy, an actuarial audit will be performed every three (3) to five (~~3~~-5) calendar years and/or when a significant benefit or assumption change is adopted. A change in actuaries, however, shall satisfy the requirement for an actuarial audit.

~~17)~~18) Notwithstanding anything contained herein, the Board or a committee of the Board may initiate a review of a KCERA service provider at any time if it believes it is prudent to do so under the circumstances.



## POLICY REVIEW AND HISTORY

- 1) This policy will be reviewed at least every five years.
- 2) This policy was:
  - a) Adopted by the Board on December 13, 2006.
  - b) Amended on June 27, 2007; September 26, 2007; December 12, 2012; April 13, 2016; August 11, 2021; ~~and~~ April 13, 2022; and December 11, 2024.

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