



***REQUEST FOR PROPOSAL # DO140923***

INVESTMENT MANAGEMENT SERVICES  
FOR  
KERN COMMUNITY COLLEGE DISTRICT

**PROPOSAL SUBMISSION DEADLINE**

Proposals submitted by	2:00 p.m.
Date:	September 23, 2014

*Proposals must be received by the due date and time to be considered.*

Delivered to:	Kern Community College District 2100 Chester Avenue Bakersfield, California 93301 Attention: Cammie Ehret-Stevens
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**ATTACHMENTS**

*Attachment A*: Investment Manager Questionnaire

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## 1. GENERAL INFORMATION

### 1.1. Purpose

The purpose of this Request for Proposal (RFP) is to solicit proposals to provide Investment Management Services, for the Kern Community College District, specifically for OPEB residual bond funds. Any resulting agreement will be between the bidder(s) whose proposal is selected and the Kern Community College District ("District" or "KCCD").

### 1.2. District Contact Person

All questions regarding this Request for Proposal should be directed to:

Cammie Ehret-Stevens, Purchasing Coordinator - (661) 336-5155  
Kern Community College District  
2100 Chester Avenue  
Bakersfield, CA 93301

### 1.3. RFP Designations

The following designations are used interchangeably and will apply for the purpose of this RFP:

The term "Kern Community College District," "Kern CCD," "KCCD," "District," "Bakersfield College" or "College"; "Porterville College", or "Cerro Coso Community College", as used in this RFP shall be construed to include its employees, officers and agents at its District Office and campuses.

The term "Vendor," "Candidate," "Supplier," "Bidder" or "Consultant" shall mean any company who submits a response to the RFP to fulfill the conditions and terms of this RFP.

The term "Successful Vendor," "Successful Bidder" or "Awarded Vendor" shall mean the company awarded this contract.

### 1.4. Key Action Dates

Listed below are important times and dates related to this RFP, including deadlines by which certain actions must be taken. Any changes to these key action dates will be issued as amendments to all prospective Vendors. All times stated are Pacific Standard Time (PST).

First week Advertisement of RFP	September 1, 2014
Second week Advertisement of RFP	September 8, 2014
Deadline for RFP Questions	September 12, 2014 12:00 p.m.
RFP Submission Deadline	September 23, 2014 2:00 p.m.
Notice of Award	November 13, 2014
<i>Submitted to the Board of Trustees for Approval</i>	
Board Award Date	November 13, 2014
Anticipated Commencement Date	December 1, 2014

## 2. SCOPE OF PROPOSED SERVICES

The Kern Community College District is seeking a successful vendor(s) to work collaboratively with in the development of investing and reporting requirements of the District's OPEB residual bond funds. A copy of the District's financial statements and supplementary information (**Attachment B: Financial Statements and Supplementary Information**) is attached and includes independent auditor reports.

### 2.1. Kern CCD Profile

Kern Community College District (KCCD) services communities over 24,800 square miles in parts of Kern, Tulare, Inyo, Mono and San Bernardino counties through the programs of Bakersfield College, Cerro Coso Community College and Porterville College.

KCCD is geographically one of the largest community college districts in the United States, serving 26,000 students. Our students represent a diversity of religions, economic backgrounds, sexual orientations, abilities and ethnicities.

While the Kern Community College District was established as a separate entity in 1968 to respond to the changing needs of our communities, education services have been provided to residents for many years at Bakersfield College since 1913; at Porterville College since 1927; and in the Ridgecrest area since 1951 by what is now Cerro Coso Community College. All three colleges are proud members of the California Community College System and are accredited by the Western Association of Schools and Colleges.

Today, education centers and sites in Delano, downtown Bakersfield, the Mammoth/Bishop area, Edwards Air Force, and the Kern River Valley offer additional convenient, localized instruction for thousands of residents. KCCD's commitment to distance learning and other technological advances is creating increasing opportunities for education through the internet, satellite, and cable television to individuals across our broad service area and beyond.

#### I. Bakersfield College

Bakersfield College was founded in 1913 by the Kern Union High School Board of Trustees with a first-year enrollment of 13 students. Bakersfield College spent its first 43 years on the Bakersfield High School campus, steadily growing in enrollment and stature. College operations were transferred to the present 153- acre main campus on Panorama Drive in 1956 with 1400 students and 89 faculty members. Bakersfield College is located 118 miles north of Los Angeles and 111 miles south of Fresno, in the Southern San Joaquin Valley of Central California. Bakersfield College is one of 112 colleges in the California Community Colleges system.

## **II. Porterville College**

Porterville College is located in Porterville, California, and serves students and communities in the central valley.

Porterville is within three hours commuting time to the seashores of the Pacific, the metropolitan Los Angeles area, and the San Francisco Bay Area.

The population of the Porterville urban area is approximately 54,000 persons and that of the surrounding service area is 110,000 persons. Porterville provides a quality of life that includes inexpensive housing, outdoor recreation, excellent elementary and secondary schools, and friendly neighbors.

Porterville serves as a gateway to a vast mountain wonderland and recreational area of the Sequoia and Kings Canyon National Parks. The high alpine wilderness is home to awe-inspiring giant sequoias, immense mountains, deep canyons and over 200 caverns.

## **III. Cerro Coso Community College**

Cerro Coso Community College is one of three colleges in the Kern Community College District. The College is charged with the responsibility of providing educational opportunities for the widely separated desert, mountain, and valley communities within a sweeping 18,000 square mile, four county, region of eastern California.

Cerro Coso's service area includes a population base of just over 85,000 individuals. The College officially opened in the fall of 1973, and within the year began expanding its service area to include the present region.

Cerro Coso, as an institution, has a long history of valuing students as individuals with unique capabilities and needs and a teaching-learning process that motivates students towards excellence.

## **2.2. Intent**

The Kern Community College District is seeking a qualified investment management firm who is responsible for full and complete compliance with all applicable laws, rules, regulations and licensing requirements imposed by any public authority having jurisdiction. The successful vendor(s) will work closely with representatives of the district to invest our OPEB residual bond funds. It is the intent of the Kern Community College District to select the proposal deemed to best meet the needs of the colleges in the district, including pricing, customer service, and other factors. The vendor(s) with the proposal deemed to be in the best interest of the district will then enter into negotiations for a contract. The resulting agreement will cover the investment management services for OPEB residual bond funds of the Kern Community College District. It is also the intent of the Kern Community College District to enter into a contract and work collaboratively with the successful vendor(s) for the duration of the contract.

### **2.3. Service Required**

The Kern Community College District is seeking proposals from vendors to provide investment management services for the District's OPEB residual bond funds. KCCD is seeking a vendor(s) to work collaboratively with in the development of investing and reporting requirements of the District's OPEB residual bond funds.

#### **Qualifications and Requirements**

See Attachment A, Investment Manager Questionnaire

### **3. RULES AND INFORMATION GOVERNING COMPETITIVE PROCESS**

#### **3.1. Proposal Submittal Process**

1. All information must be entered legibly in ink or typewritten. The proposal submitted must follow the format of the RFP and not contain any erasures, interlineations or other corrections. Proposers should structure their responses to follow the sequence of the RFP.
2. Proposals shall be received by District, at the address stated in this RFP, on or before the date and time required. No oral, telegraphic, telephonic or facsimile proposals will be considered.
3. Corrections and/or modifications received after the specified closing time will not be accepted.
4. An authorized officer or employee of the responder must sign all responses.
5. Submit responses in a sealed envelope with the RFP number, closing date, and time shown.
6. Addenda issued by the District interpreting or changing any of the items in this RFP, including all modifications thereof, shall be responded to and incorporated in each proposal. The Vendor shall sign and date any Addenda Cover Sheet, submitting them with the proposal, or otherwise expressly acknowledge, in writing, receipt of all addenda.
7. All proposals received by the District will be considered a "Public Record" as defined in California Government Code section 6252 and shall be open to public inspection, except to the extent of the Vendor designates trade secrets or other proprietary material to be confidential. Any documentation which the Vendor believes to be a trade secret must be provided to the District in a separate envelope or binder and must be clearly marked as a trade secret. The District will endeavor to restrict distribution of material and analysis of the proposals. Vendors are cautioned that materials designated as trade secrets may nevertheless be subject to disclosure and the District shall in no way be liable or responsible for any such disclosure. Vendors are advised that the District does not wish to receive material designated as

trade secrets and requests that Vendors not supply trade secret materials unless absolutely necessary. No part of the Vendor's proposal or supporting materials will be returned and such material will become the property of the District unless portions of the materials submitted are designated as proprietary at the time of submittal, and are specifically requested to be returned.

8. Interested Candidates shall register at [www.publicpurchase.com](http://www.publicpurchase.com) to upload your response electronically or you may submit three (3) copies of the requested information and one (1) electronic copy in sealed packaging to the address listed below:

Kern Community College District  
2100 Chester Avenue  
Bakersfield, CA 93301  
c/o Cammie Ehret-Stevens, Purchasing Coordinator

9. The delivery of a proposal to the District is the sole responsibility of the Vendor. Proposals will not be accepted subsequent to the date and time specified. Proposals received by the District after the specified deadline will not be considered.
10. The District may waive any immaterial deviation or defect in a proposal. The District's waiver shall in no way modify the RFP documents or excuse the Vendor from full compliance with the Scope of Work if awarded the contract.
11. The contract to be negotiated must include the aforementioned requirements, as requested by the District.

### **3.2. Proposal Validity Period**

Proposals are to be valid for a period of one hundred eighty (180) days after the deadline for receipt of proposals.

### **3.3. Withdrawal or Modification of Proposal**

Proposals may be withdrawn or modified in writing and submitted by US Mail or hand delivery from the Vendor prior to the deadline for receipt of proposals. No oral withdrawals or modifications will be accepted.

### **3.4. Basis for Award**

#### *Proposal Evaluation Method*

The contract(s) resulting from this Request for Proposal, if any, shall be awarded to the most qualified and responsive, responsible bidder(s) whose proposal is determined to be the most advantageous to the Kern Community College District, taking into consideration the evaluation factors set forth in this solicitation.

### *Evaluation Criteria*

Five (5) points are possible in each area listed below, with twenty (20) points total possible. Quality points will be awarded to each proposal based on the following criteria:

- 1) Specialized experience and technical competence of the firm with respect to the type of professional services required; including the education and experience of the project personnel, and number of personnel available.
- 2) Capacity and capability of the firm to perform the work in question including specialized services, within the time limitations fixed for the completion of the project;
- 3) Past record of performance of the firm with respect to such factors as control of costs, quality of work and ability to meet schedules and deadlines; experience with projects similar to this project; and
- 4) Firm's proximity to and familiarity with the area in which the project is located.

### *Awarding of Contract*

The Kern Community College District will award the contract(s) to the successful bidder(s) who displays the ability and expertise necessary to achieve the desired result and best meets the needs of the colleges.

### **3.5. Term**

The resulting contract is intended to be in effect for a term of five (5) years, awarded November 13, 2014, services beginning December 1, 2014 and ending November 30, 2019 with options to renew beginning on December 1, 2019, subject to the KCCD Board of Trustees approval.

### **3.6. Termination of Contract**

KCCD may elect to terminate the contract, in whole or in part, for its convenience, and such termination shall be effective thirty (30) calendar days after mailing of such Notice of Termination for Convenience to the Vendor. Thereafter, the Vendor shall have no further claim against KCCD under the contract.

The successful Vendor may choose to terminate the contract, and the Vendor must give KCCD 60 days prior written notice by sending an explanation for the termination of their contract to the Kern Community College District, Attention Mr. Tom Burke, Chief Financial Officer, 2100 Chester Avenue, Bakersfield, CA 93301.



The successful Vendor shall be in compliance with all Federal, State and Local laws governing this invitation to bid.

### **3.7. Issuing Office**

The KCCD is issuing this Request for Proposal (RFP) through the Business Services Purchasing Department. The KCCD Business Services Department is the sole point of contact regarding all contractual matters relating to the requirements described in this RFP, and is the only department authorized to change, modify or clarify, the specifications, terms, and conditions of this RFP. All communications, including any requests for clarification, concerning this RFP shall be in written format and submitted to the District Contact Person:

Cammié Ehret-Stevens, Purchasing Coordinator  
Amendments to RFP # DO140923  
[cammié.ehret@kccd.edu](mailto:cammié.ehret@kccd.edu)

or

Cammié Ehret-Stevens, Purchasing Coordinator  
Amendments to RFP # DO140923  
Kern Community College District  
2100 Chester Avenue  
Bakersfield, CA 93301

### **3.8. Questions Regarding This RFP**

Vendors requiring clarification of the intent or content of this RFP, or on procedural matters regarding the Request for Proposal process, may request clarification by submitting written questions by email or in an envelope marked with the title and RFP # of the proposal and addressed to the District Contact Person. Answers to the questions will be provided to all Vendors without identifying the submitter. Questions regarding this RFP must be submitted using the attached Bidder Inquiry Form in *Section 10* no later than September 12, 2014 12:00 p.m.

### **3.9. Reimbursement of Costs**

Each Vendor submitting a proposal is responsible for all costs associated with preparing and submitting a complete proposal, including costs that may be incurred in providing KCCD with additional information. KCCD is under no obligation to reimburse Vendor for any proposal costs or incur any costs on Vendor's behalf.

### **3.10. Protest Against Award**

Any vendor wishing to file a protest against this RFP document must do so in writing within 72 hours after proposals are reviewed. All protest will be taken under advisement. Any protest received after that will not be recognized.

A protest of any vendor proposal will be delivered to the Kern Community College District, Attention Mr. Tom Burke, Chief Financial Officer, 2100 Chester Avenue, Bakersfield, CA 93301, by certified mail or by personal delivery during normal working hours.

### **3.11. Suspension and Debarment**

The Vendor certifies, for itself and all its designated partners, that neither the Vendor, nor any designated partners are under suspension or debarment by the LEA (Local Educational Agencies) or any other governmental entity, instrumentality, or authority and, if the Vendor cannot so certify, then it agrees to submit a written explanation as an attachment to this RFP form of why such certification cannot be made. A Vendor must verify its suspension or debarment status.

### **3.12. Responsibility and Notice of Any Change**

It is the Vendor's obligation to see that the services provided are ongoing from and after the effective date of the Vendor Contract and any Purchase Order issued, through the termination date thereof. Accordingly, the Vendor shall notify KCCD and the campus or LEA, by written notification if at any time during the term of the Vendor Contract or any Purchase Order, it changes its place of business, becomes delinquent in the payment of taxes, or if it or any of its designated partners are suspended or debarred by any agency, LEA, federal government, or any other state or governmental entity. Such notification shall be made within fifteen (15) days of the date of suspension, debarment, delinquency or change.

### **3.13. Defaults**

Default by Vendor: The District will hold the Vendor responsible for any damage which may be sustained because of failure or neglect to comply with any term or condition listed herein. It is specifically provided and agreed that time will be of essence in meeting the contract delivery requirements.

If the successful Vendor fails or neglects to furnish or deliver any of the materials, supplies or services listed herein, at the prices named and at the time and place herein stated, or otherwise fails or neglects to comply with the terms of the Vendor Contract, the District may, upon written notice to the Vendor, cancel the contract/purchase order in its entirety or cancel or rescind any or all items affected by such default, and may, whether or not the contract is terminated in whole or in part, purchase the materials, supplies or services elsewhere without further notice to the Vendor. The prices paid by the District at the time such purchases are made will be considered the prevailing market prices. Any extra cost incurred by such default may be collected by the District from the Vendor, or deducted from any funds due the Vendor.

### **3.14. Insurance Requirements**

The successful bidder selected shall furnish to the District, prior to the commencement of services, an underwriter's certificate of insurance reflecting not less than the following limits:

- a. \$2 million per occurrence for Workers' Compensation, if required;
- b. \$1 million per occurrence for Comprehensive General Liability;
- c. \$1 million per occurrence for Automobile Liability;
- d. \$1 million per occurrence for Errors and Omissions insurance.

All insurance shall be issued by a company or companies listed in the current "Best's Key Rating Guide" publication with a minimum of a B+, V rating. The District, its trustees, officers, agents and employees shall be named as additional insured on the General Liability policy. Any deviations from the requisite policy amounts and ratings must be approved by the District.

### **3.15. Hold Harmless Clause**

The successful bidder shall hold harmless and indemnify KCCD from every claim or demand which may be made by reason of:

- a. Any injury to person or property sustained by the bidder or by any person, firm or corporation, employed directly or indirectly by him upon or in connection with his performance under this bid, however caused.
- b. Any liability that may arise from the furnishing or use of any copyrighted or un-copyrighted composition, secret process or patented or un-patented invention, under this bid.
- c. The successful vendor at his own expense and risk shall defend any legal proceedings that may be brought against KCCD on any such claim or demand, and satisfy any judgment that may be rendered against any of them.

### **3.16. Force Majeure**

Neither party will incur any liability to the other if its performance of any obligation pursuant to the Vendor Agreement or Purchase Order is prevented or delayed by causes beyond its control and without the fault or negligence of either party. Causes beyond a party's control may include, but are not limited to, acts of God or war, changes in controlling law, regulations, orders or the requirements of any governmental entity, severe weather conditions, civil disorders, natural disasters, fire, epidemics and quarantines, throughout the trade, and freight embargoes.

The Vendor shall notify KCCD orally within five (5) business days and in writing within ten (10) business days of the date on which the Vendor becomes aware,

or should have reasonably become aware, that such cause would prevent or delay its performance. Such notification shall (i) describe fully such cause(s) and its effect on performance, (ii) state whether performance under the Vendor Agreement (Purchase Order) is prevented or delayed and (iii) if performance is delayed, state a reasonable estimate of the duration of the delay, if the nature of the force majeure event does not prevent Vendor from reasonably making such estimation. The Vendor shall have the burden of proving that such cause(s) delayed or prevented its performance despite its diligent efforts to perform and shall produce within ten (10) business days of college campus written request such supporting documentation as KCCD may reasonably request. After receipt of such notification, the College Campus may elect either to cancel the Purchase Order or to extend the time for performance as reasonably necessary to compensate for the Vendor's delay.

In the event of a declared emergency by competent governmental authorities, the LEA by notice to the Vendor, may suspend all or a portion of the Purchase Order.

### **3.17. Declaration of Non-Collusion**

This RFP requires the Vendor to attest under the penalty of perjury that no collusion took place in providing a response to this RFP. Vendors must complete the Vendor Non-Collusion Affidavit in *Section 8* of this RFP. If a Vendor cannot answer yes to these questions, he/she/it will not be able to submit a response to this RFP.

### **3.18. Conflict of Interest**

Vendor shall exercise reasonable care and diligence to prevent any actions or conditions that could result in a conflict with the best interest of the District. Vendor's efforts shall include, but not be limited to, establishing precautions to prevent its employees or agents from making, receiving, providing or offering gifts, entertainment, payments, loans, or other consideration which could be deemed to appear to influence individuals to act contrary to the best interest of the District.

### **3.19. Compliance With Civil Rights Law and Americans With Disabilities Act**

The Vendor hereby assures that it will comply with Subchapter VI of the Civil Rights Act of 1964, 42 U.S.C. Section 2000 (e)(17), to the end that no person shall, on the grounds of race, creed, color, sex or national origin be excluded from participation in, be denied the benefits of, or be otherwise subject to discrimination under this RFP or under any project, program, or activity supported by this RFP.

The Vendor agrees to comply with applicable Federal and California laws including, but not limited to, the California Fair Employment and Housing Act, beginning with Government Code Section 12900, and Labor Code Section

1735. In addition, the Vendor agrees to require like compliance by any subcontracts employed for the services provided by him.

The Vendor hereby assures that it will comply with the Americans with Disabilities Act of 1990, 42 U.S.C. Sections 12101 et seq., to ensure that disabled individuals shall be reasonably accommodated in accordance with the Act the Vendor shall not exclude from participation in, or deny the benefit of, or otherwise subject a disabled individual to discrimination under this contract, or under any project, program, or activity supported by this RFP. Vendors must complete the Certification of Non-Discrimination in *Section 9* of this RFP.

### **3.20. Work Hours and Safety Standards Act**

In the performance of any purchase order under the contract, the Vendor shall adhere to and comply with all the provisions of Section 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330) and as supplemented in the Department of Labor regulations (29 CFR Part 5).

### **3.21. Public Agency Clause**

Public agencies are authorized by law to purchase off of a contract awarded by an agency including all K-12 schools districts, community college districts, special districts and JPAs serving education, pursuant to Public Contract Code Sections 20118 and 20652. Using these statutes, the KCCD hereby declares its intent and authorization to allow any contracts awarded under this proposal to be “piggybackable” by other agencies in the state, if the awarded vendor agrees.

KCCD waives any right to receive payment from other California agencies making purchases off the awarded contract. KCCD shall incur no financial responsibility or liability in connection with the participation by another public agency. Each public agency must accept sole responsibility for its own order placement and payments directly to the awarded Vendor, and should consult with legal counsel about the propriety of using the contract resulting from this RFP as a “piggyback.”

## **4. GENERAL SPECIFICATIONS**

### **4.1. Qualifications and Requirements**

*See Attachment A*, Investment Manager Questionnaire

### *Experience and Reference Information*

In addition to pricing, proposals will be considered from experienced companies who can demonstrate the capacity to meet all of the needs stated in this RFP. The successful bidder(s) shall be an organization that has an excellent record as a provider of the type and scope of work detailed in this RFP. To illustrate this, bidders must provide as part of their response to the RFP:

1. Name and address of operating firm, names of owners or principals of firm. Also include a completed W-9, Request for Taxpayer Identification Number and Certification.
2. List and describe any claims or lawsuits that have been made against Vendor for non-performance or inadequate performance.
3. Insurance requirements as explained in Section 3.14 of this RFP.
4. Provide historical background of relevant experience.
5. A portfolio of relevant; similar work.
6. Provide a minimum of three (3) letters of reference for relevant and/or similar work from clients that the bidder has provided similar services to. Contact information for these references also required. Provide the client entity name, primary contact name and title, phone number, e-mail and mailing address. References must include feedback regarding your vendor client relationship, work ethic, work quality, examples of service provided and invoicing and payment tracking. Work samples for these reference are required as part of the submitted portfolio.

## **5. PRICING SPECIFICATIONS**

### **5.1. Price Proposal**

The Kern Community College District is awarding this Request for Proposal on an approved cost reimbursement basis. The successful vendor(s) will be required to submit monthly invoices which separate out the services provided with a total invoice payment specified. Monthly invoices will be accompanied by supporting documentation, including but not limited to; timesheets, purchase orders and other documents sufficient to evidence budgeted and encumbered expenses claimed for reimbursement.

Budget modifications are allowable but must be approved in writing prior to the encumbrance of any expenditure based thereon.

## **6. ORDERING, SHIPPING AND DELIVERY**

### **6.1. Ordering**

To obtain bid pricing, KCCD shall only reference the applicable KCCD authorized agreement numbers on the vendor's ordering system. No supplier bid numbers, quotes, or reference numbers are required for order placement.

### **6.2. Acceptance of Purchase Orders**

If an award is made, the Successful Vendor(s) may receive a purchase order to furnish the awarded item(s). These purchase orders constitute the vendor's authority to make delivery. All purchase orders received by the Successful Vendor(s) up to and including the expiration date of the resultant agreement are acceptable and must be fulfilled in accordance with the delivery time specified in the resultant agreement.

### **6.3. Payment**

KCCD will order the items or services, receive the items or services from the vendor(s) and pay the vendor(s) upon receipt of invoices.

### **6.4. Invoicing**

All invoices are to be sent directly to the specified bill-to address.

KCCD shall put forth reasonable efforts to make payment by the required payment date. The required payment date is: (a) the date on which payment is due under the terms of the purchase order; or (b) thirty (30) days after a proper invoice actually is received at the "Bill To" address, and the Purchase Order items invoiced are received and accepted by KCCD. Payment may be delayed if the payment amount on an invoice is not based upon the price(s) as stated in the purchase order and the items actually received.

Payment should not be construed by the Successful Vendor(s) as acceptance of the items furnished by the successful vendor. KCCD reserves the right to conduct further testing and inspection after payment, but within a reasonable time after delivery, and to reject the item(s) if such post payment testing or inspection discloses a defect or a failure to meet specifications.

KCCD does not pay service charges on any invoice.

### **6.5. Inspection and Acceptance**

All items provided under the resultant agreement shall meet or exceed the RFP specifications and shall comply with all Federal and California State laws governing their production, handling, processing and labeling. Inspection and acceptance of all items shall be at destination. Items found to be defective or not in accordance with the RFP specifications shall be replaced by the

successful vendor(s) at no cost to KCCD. Failure to replace said items shall be considered sufficient cause for default action under the default provision of the resultant agreement.

**6.6. Damages for Late Delivery**

Liquidated damages shall be assessed and deducted from vendor's invoice at the rate of \$100 per day for the balance of items delivered after each specified due date.



**7. VENDOR STATEMENT OF INTENT**

**TO BE EXECUTED BY VENDOR AND  
SUBMITTED WITH ITS PROPOSAL**

TO THE BOARD OF TRUSTEES  
OF THE KERN COMMUNITY COLLEGE DISTRICT:

The undersigned, having become familiar with the specifications, contract conditions and requirements, and all other matters concerning the Request for Proposal and contract to be awarded, hereby offers to provide the required products and services, in accordance with its proposal and the proposed contract, subject to the terms and conditions set forth therein, all referenced material and attachments.

\_\_\_\_\_  
Vendor \_\_\_\_\_  
(Type or Print Complete Legal Name of Vendor)

**Check One:**      Sole Ownership      \_\_\_\_\_      Corporation      \_\_\_\_\_  
                         Partnership      \_\_\_\_\_      Other (Specify)      \_\_\_\_\_

By \_\_\_\_\_  
(Signature)

Title \_\_\_\_\_

IRS or Social Security No. of Vendor \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

Phone (\_\_\_\_\_) \_\_\_\_\_ - \_\_\_\_\_

**8. VENDOR NON-COLLUSION AFFIDAVIT**

**TO BE EXECUTED BY VENDOR AND SUBMITTED  
WITH ITS PROPOSAL**

(Name) \_\_\_\_\_, being first duly sworn, disposes and says that:

1. He or she is (*Title, or Owner, or N/A*) \_\_\_\_\_ of (*Company, or N/A*) \_\_\_\_\_, the Vendor making the foregoing proposal;
2. That the proposal is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation;
3. That the proposal is genuine and not collusive or sham;
4. That the Vendor has not directly or indirectly induced any other Vendor to put in a false or sham proposal, and has not directly or indirectly colluded, conspired, connived, or agreed with any Vendor or anyone else to put in a sham proposal, or that anyone shall refrain from proposing;
5. That the Vendor has not in any manner, directly, or indirectly, sought by agreement, communication, or conference with anyone to fix the proposal price of the Vendor or any other Vendor, or to secure any advantage against the public body awarding the contract of anyone interested in the proposed contract;
6. That all statements contained in the proposal are true; and further, that the Vendor has not, directly or indirectly, submitted his or her proposal price or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, or paid, and will not pay, any fee to any corporation, partnership, company, association, organization, bid depository, or to any member or agent thereof to effectuate a collusion or sham proposal.

IN WITNESS WHEREOF, the undersigned has executed this Non-collusion Affidavit this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

Vendor \_\_\_\_\_  
(Type or Print Complete Legal Name of Vendor)

By \_\_\_\_\_  
(Authorized Signature)

Name \_\_\_\_\_  
(Type or Print)

Title \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

**9. CERTIFICATION OF NONDISCRIMINATION**

**TO BE EXECUTED BY CANDIDATE AND  
SUBMITTED WITH ITS PROPOSAL**

Candidate hereby certifies that in performing work or providing services for the District, there shall be no discrimination in its hiring or employment practices because of age, sex, race, color, ancestry, national origin, religious creed, physical handicap, medical condition, marital status, or sexual preference, except as provided for in Section 12940 of the California Government Code. Candidate shall comply with applicable federal and California anti-discrimination laws, including but not limited to the California Fair Employment and Housing Act, beginning with California Government Code section 12900.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Nondiscrimination this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

CANDIDATE \_\_\_\_\_  
(Type or Print Complete Legal Name of Candidate)

By \_\_\_\_\_  
(Authorized Signature)

Name \_\_\_\_\_  
(Type or Print)

Title \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

## 10. BIDDER INQUIRY FORM

### RFP No. **DO140923 – Investment Management Services**

Bidders should use this form to submit questions regarding the RFP. The Kern Community College District will provide a complete list of questions received, along with the District's responses to all bidders who participate. Questions will be listed without reference to the source.

Name of Company:

Company Representative:

**Question(s):**

*Note: Reproduce this form as necessary.*

Fax or email (*preferred*) this form to : Cammie Ehret-Stevens

Kern Community College District

Email: [cammie.ehret@kccd.edu](mailto:cammie.ehret@kccd.edu)

Fax: 661-336-5178

**11. "NO BID" RESPONSE FORM**

**"NO BID" RESPONSE FORM**

NOTE: COMPLETE AND RETURN THIS FORM ONLY IF YOU DO **NOT** WISH TO SUBMIT A BID

If you do not wish to respond to this bid request, but would like to remain on the Kern Community College District vendor list for this service/commodity, please remove this form and return to the Purchasing Department by mail or fax.

Kern Community College District  
Cammie Ehret-Stevens, Purchasing Coordinator  
2100 Chester Avenue  
Bakersfield, CA 93301  
  
Fax (661) 336-5178

**RFP # DO140923 – Investment Management Services**

_____	_____
<i>Business Name</i>	<i>Date</i>
_____	_____
<i>Mailing Address</i>	<i>Telephone</i>
_____	_____
<i>City, State, Zip</i>	<i>Contact</i>

**REASON(S) FOR NOT SUBMITTING A BID:**

***ATTACHMENT A: INVESTMENT MANAGER QUESTIONNAIRE***

# Firm Information

## Organizational Information

Please provide the following information:

1. Firm name.
2. Firm headquarters mailing address.
3. Firm headquarters telephone number, including country code.
4. Name of individual(s) completing questionnaire.
5. Individual(s) telephone number(s), including country code(s), and address(es).
6. Individual(s) fax number(s), including country code(s).
7. Individual(s) e-mail address(es).
8. Date questionnaire completed (Day/Month/Year).
9. Firm classification:
  - Bank
  - Insurance Company
  - SEC-Registered Investment Adviser
  - Non-U.S. Registered Investment Manager (country and entity registered with: \_\_\_\_\_)
  - Other
 If other, please explain \_\_\_\_\_.
10. Brief history of firm, including ownership, with an emphasis on any material developments in the past three years. Please include prior names and the length of time your organization has been in business under its present name and ownership.
11. Organizational chart of firm.
12. Firm's current succession plans.
13. Name of parent firm (if any) and the name of affiliations or subsidiaries (if any).
14. Date of firm inception.
15. Name of regulatory body overseeing the firm, this product, and the dates of registration, as appropriate.
16. Firm's fidelity bond and fiduciary liability insurance policies, including coverage amounts.

## Firm Personnel

1. Please fill out the following table, listing the number of individuals in each job function. If individuals hold multiple job functions or responsibilities, only count them once under their main responsibility and please detail this in the "Notes" section at the bottom of the table.

Job Function	Number of Employees	Avg. Yrs. Experience	Avg. Yrs. Tenure
Compliance personnel			
Portfolio managers			
Research analysts			
Traders			
Economists			
Client service			
Marketing			
Other staff			
Total firm employees			
Notes:			

## Client Service

1. Please indicate the scope of services that will be provided for this account. Please include a description of how client servicing/communication responsibilities are divided between portfolio managers and client service/marketing personnel and how often portfolio managers meet with clients to review the portfolio.
2. Please describe the client-reporting process. How frequently are reports made available?

## Compliance

1. Please describe the compliance assessment process, including the time period covered, testing methods, and frequency.
2. When was the last compliance assessment? Please attach a summary of the report, if possible.
3. To whom does the chief compliance officer report?
4. Please provide a copy of the registration forms you have provided to your local regulator. (If you are an SEC-registered adviser, please provide your firm's Form ADV, Part 1 and 2.)
5. When was your firm's last regulatory inspection (e.g., by the SEC in the United States or the Financial Services Authority in the United Kingdom)? Please provide a summary of the inspection results.
6. Has any regulatory body or market authority issued any orders or other sanctions against your firm in the last five years? If yes, please describe.
7. Is your firm or any affiliate the focus of any pending or ongoing litigation, formal investigation, or administrative proceedings related to money management activities? If yes, please describe.
8. Have the principals of your firm been under investigation related to money management activities in the last five years? If yes, please explain.

## Proxy Voting

1. Please provide the identity of any third-party proxy voting services used by your firm.
2. If your firm uses proxy voting services, how are these firms selected?
3. Please list the amount paid to any proxy voting services used by your firm over the last three years.
4. If your firm uses proxy voting services, are these services paid for directly or through soft dollars?

## Governance

1. Please provide a summary of your firm's internal control structure.
2. Please describe any potential conflicts of interest your firm may have in the management of this account. If there are conflicts, please describe how they are addressed. When answering this question, you may refer to Schedule F of Form ADV Part 2 or another disclosure document, if appropriate.

## Trading

1. Please describe any restrictions you may have on client-directed transactions.
2. Please describe your policies and procedures concerning trading and execution, including those relating to (i) how your firm seeks to achieve best execution; (ii) how your firm ensures equitable trading for all clients (i.e., the account of one client is not favored above the account of another) and exceptions to this policy, if any; (iii) allocation of trades (e.g., by portfolio manager or automated); and (iv) side-by-side management of hedge funds and other products, if applicable. When answering this question, you may refer to Schedule F of Form ADV Part 2, if appropriate.

## Brokerage/Soft Dollars

1. What is your firm's approach to the use of soft dollar arrangements?

## Firm Risk

1. Please provide a short biography or resume of the person(s) who is (are) responsible for the overall risk management of your firm.



# Product Information

## Personnel

- Please provide a list of all key personnel involved in the management of this product (i.e., dedicated to the product), including the lead portfolio manager, marketing personnel, and research analysts. For the lead portfolio manager, please include the size and quantity of portfolios he or she currently manages within this product and any other strategies he or she works on. For each individual, please answer in the format below and attach biographies.

Name	Title	Education	Role at Firm	Total Inv. Exp. (years)	Tenure with Firm (years)

## Proposed Product

- Please provide the specific name and the inception date of the product under consideration.
- What is the investment objective of this product?
- What benchmark is most appropriate for this product and why?

## Assets under Management

- Please fill out the following tables for the **product** in question:

Account Type	Asset Amounts	Number of Accounts
Corporate		
Public fund		
Union/multi-employer		
Foundation and endowment		
Insurance		
High-net-worth individuals		
Wrap accounts		
Sub-advised assets		
Other, please explain		
Total		

Vehicle Type	Asset by Vehicle	Accounts by Vehicle
Separate account		
Commingled fund		
Mutual fund: institutional class		
Mutual fund: retail class		

	Accounts Lost			Accounts Gained		
	Number	Dollars (US\$ millions)	% of Product Assets	Number	Dollars (US\$ millions)	% of Product Assets
2013						
2012						
2011						
2010						
2009						
2008						
2007						
2006						
2005						
2004						
2003						

2. Please discuss the reasons for the lost accounts indicated in the table above (not including plan terminations).
3. Please provide a representative client list for this product and at least three client references. For each reference, please include the client's name and the length of the relationship as well as the client's e-mail address and phone number.

### Investment Philosophy and Process

1. Please briefly describe your firm's investment philosophy. How has it changed since the inception of this product?
2. Please discuss your firm's investment strategy, screening processes, and portfolio construction methodology.
3. How do you decide to buy or sell a security?
4. Are portfolios managed by individual managers or teams?
5. To what extent does this product use leverage and derivatives? Please explain.
6. Do managers follow a "model" portfolio, and if so, to what extent is management permitted to deviate from such a model portfolio?
7. How frequently are investment policy or strategy meetings held?

### Product Risk

1. Please describe how your firm controls portfolio investment risk.
2. How does your firm currently measure/track risk for this product (e.g., standard deviation, beta, other)?
3. Do you stress test your portfolios? If so, how do you stress test your portfolios?

### Research

1. Please provide an overview of your research, including the use of fundamental, technical, and quantitative analyses. Please provide any additional comments that are unique to your firm.

## Portfolio Characteristics and Sector Weightings

1. Please fill out the following table for this product, if applicable:

Country/Market	% Weight
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	

## Specific Questions for Fixed Income

1. Please fill out the following tables if the product in question has a fixed-income mandate:

### Representative Account Fundamental Characteristics

Annual turnover (by weight)	
Turnover range for this product	
Current weighted average coupon	
Yield to maturity	
Yield to worst	
Current term structure	
Average quality	
Effective duration	
Average maturity	
Average cash position	
Historical range in cash for this product	

### Current Portfolio Distribution

Number of Years	Avg. Maturity (%)	Avg. Duration (%)
< 1		
1-3		
3-5		
5-7		
7-10		
10-20		
> 20		
Total	100%	100%

### Portfolio Quality Breakdowns

Investment Type	% of Portfolio
AAA/Aaa	
AA/Aa	
A	
BBB/Baa	
BB/Ba	
B	
CCC/Caa	
CC/Ca	
C	
Distressed debt	
Other	
Total	100%

### Domestic Portfolio Sector Allocations

Investment Type	% of Portfolio
Domestic govts/agencies	
Domestic investment-grade corporates	
Domestic high-yield corporates	
Domestic mortgage-backed securities (MBS)	
Mortgage passthru (TBA mkt)	
Commercial mortgage-backed securities (CMBS)	
Asset-backed securities (ABS)	
Private placements/144s	
Municipals	
Convertibles	
Sovereigns and supranationals	
Domestic currency bonds issued by nondomestic banks and corporations	
Emerging market debt	
Other	
Total	100%

### Nondomestic Portfolio Sector Allocations (if applicable)

Investment Type	% of Portfolio
Domestic govts/agencies	
Domestic investment-grade corporates	
Domestic high-yield corporates	
Domestic MBS/ABS	
Developed mkt ex domestic sovereigns	
Emerging mkt sovereigns	
Developed mkt ex domestic corporates	
Emerging mkt corporates	
Developed mkt ex domestic MBS/ABS	
Other	
Total	100%

2. To what extent do you use hedging strategies for this product, including currency and/or any leverage?
3. What is the distribution of your portfolios managed in this investment approach according to the following capitalization ranges (in U.S. dollars) for the last five years?

Range	% of Portfolio by Year				
	2013	2012	2011	2010	2009
\$0 to \$250 million					
\$250 million to \$500 million					
\$500 million to \$1 billion					
\$1 billion to \$5 billion					
\$5 billion to \$10 billion					
\$10 billion +					
	100%	100%	100%	100%	100%

### Fees and Account Minimums

1. Please list your fee schedule for this product. Please include performance-based fees, the basis for those fees, and any other fees that may be applicable to the running of this account.
2. What is the minimum account your firm will accept?
3. Does your firm charge a minimum annual fee? If so, what is this fee? Will it stay the same or change in the future based on some set formula?
4. Under what circumstances are fees negotiable?
5. What is your billing frequency?

# Performance

## Performance

1. If your firm is GIPS® compliant, please attach a GIPS-compliant presentation for this product and skip this table.

If your firm is NOT GIPS compliant, please either attach a chart detailing your firm's performance for this product for at least the past 10 years (or the life of your firm), including as much detail as possible beyond merely performance data, OR fill out the following table:

Year	Gross of Fees Return (%)	Net of Fees Return (%)	Benchmark Return (%)	Number of Portfolios	Internal Dispersion (%)*	Total Composite Assets	Total Firm Assets
2013							
2012							
2011							
2010							
2009							
2008							
2007							
2006							
2005							
2004							
Total							

\*Please either specify the currency used or indicate the date of the foreign exchange rates used to convert into the other currency.

## GIPS Compliance

**Please respond to Questions 1–2 if your firm is GIPS compliant:**

1. How many years has your firm been GIPS compliant?
2. Has your firm been verified? Please specify the name of your verifier and provide a verification letter. Please provide the number of years your firm has been verified.

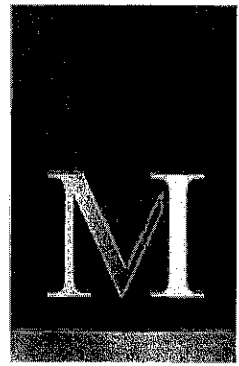
**Please respond to Questions 3–15 if your firm is NOT GIPS compliant:**

3. Please name and define the composite for the strategy that is the subject of this RFP.
4. When presenting gross of fees returns, please disclose if any other fees are deducted in addition to trading expenses.
5. When presenting net of fees returns, please disclose **exactly what** other fees are deducted in addition to the investment management fees and trading expenses.
6. If your firm uses a custom benchmark, please describe the benchmark and the process and rationale behind the creation of this benchmark.
7. Please include a measure of dispersion used for each composite, including the reason why that measure of dispersion was chosen.
8. Please disclose your firm's treatment of withholding tax on dividends, interest income, and capital gains.
9. Please disclose and describe any inconsistencies in the exchange rates used among the portfolios within a composite and between the composite and its benchmark, **if applicable**.
10. Please disclose the policy used to allocate cash to carve-out returns, **if applicable**.

11. Please disclose the use of any subadviser(s) and the periods used.
12. Is there a minimum asset level below which portfolios are not included in a composite? If so, what is that level?
13. Please disclose the currency used to express performance.
14. Is additional information regarding policies for calculating and reporting returns available upon request?
15. Please disclose if your firm does not value portfolios at the end of each month (i.e., either the last day of the month or the last business day of the month). If so, please explain why not.

***ATTACHMENT B: OPEB FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION***





MATSON  
& ISOM

KERN COMMUNITY COLLEGE  
PUBLIC RETIREMENT SYSTEM

**Bakersfield, California**

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITORS' REPORTS

**June 30, 2013 and 2012**

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June 30, 2013 and 2012

*Kern Community College  
Public Retirement System*

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MATSON  
& ISOM

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Kern Community College  
Public Retirement System  
Bakersfield, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Kern Community College District Public Retirement System (the Trust), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position held in trust for other postemployment benefits of Kern Community College District Public Retirement System as of June 30, 2013 and 2012, and the respective changes in net position held in trust for other postemployment benefits for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITORS' REPORT

Continued

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of funding progress, and schedule of employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2014, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

*Matson and Isom*

May 28, 2014  
Redding, California

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Required Supplementary Information)**

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

June 30, 2013 and 2012

*Kern Community College  
Public Retirement System*

This section provides an overview and analysis of the financial activities of Kern Community College Public Retirement System (Trust) for the fiscal years ended June 30, 2013 and 2012. The Trust was established in July 2008 by the Kern Community College District Board of Directors and assets held for Other Postemployment Benefits (OPEB) were transferred to the Trust. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements.

**FINANCIAL HIGHLIGHTS**

The net position of the Trust at the close of fiscal year 2013 was \$86,237,801 (net position held in trust for retiree OPEB). All of the net position is available to meet the Trust's ongoing obligations to Trust participants and beneficiaries. Net position at the close of 2012 was \$85,656,961.

The Trust's funding objective is to meet long-term benefit obligations through investment income. The Trust was funded in the amount of \$84,763,613 in the fiscal year ending June 30, 2009, through the issuance of OPEB Bonds by the Kern Community College District (District).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following discussion and analysis are intended to serve as an introduction to the Trust's financial statements, which comprises these components:

1. Statement of Trust Net Position
2. Statement of Changes in Trust Net Position
3. Notes to the Financial Statements

This report also contains other supplementary information in addition to the financial statements themselves.

**The Statement of Trust Net Position** is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at this time.

**The Statement of Changes in Trust Net Position**, on the other hand, provides a view of current year additions to and deductions from the Trust. Both statements are in compliance with Governmental Accounting Standard Board Statements (GASB Pronouncements 34, 43, and 45). These pronouncements require certain disclosures and require the state and local governments to report using the full accrual method of accounting. The Trust complies with all material requirements of these pronouncements.

The Statement of Trust Net Position and the Statement of Changes in Trust Net Position report information about the Trust's activities. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses are shown at trade date. In addition, both realized and unrealized gains and losses are shown on investments.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**  
June 30, 2013 and 2012

*Kern Community College  
Public Retirement System*

These two statements report the Trust's net position held in irrevocable trust accounts for retirees' medical benefits. Net position, the difference between assets and liabilities, is one way to measure the Trust's financial position. Over time, increase and decrease in net position is one indicator of whether the Trust's financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the Trust's overall health.

Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. (See notes to financial statements on pages 9-16 of this report).

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning the Trust's progress in funding its obligations to provide OPEB to members.

**FINANCIAL ANALYSIS**

As previously noted, net position may serve over time as a useful indication of the Trust's financial position. The assets of the Trust exceeded its liabilities at the end of fiscal years 2013, 2012, and 2011 as follows:

(Table 1)  
**Statement of Trust Net Position**

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>2011</u>	<u>Change</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 51	\$ 51	\$ -	\$ 51	\$ -
Investments at fair value	86,137,873	87,861,348	(1,723,475)	89,379,799	(1,518,451)
Receivables	99,877	111,815	(11,938)	99,917	11,898
<b>Total Assets</b>	<u>86,237,801</u>	<u>87,973,214</u>	<u>(1,735,413)</u>	<u>89,479,767</u>	<u>(1,506,553)</u>
<b>LIABILITIES</b>					
Current liabilities	-	2,316,253	(2,316,253)	604,978	1,711,275
<b>Total Net Position</b>	<u>\$ 86,237,801</u>	<u>\$ 85,656,961</u>	<u>\$ 580,840</u>	<u>\$ 88,874,789</u>	<u>\$ (3,217,828)</u>

(Table 2)  
**Additions to Trust Net Position**

For the year ended June 30, 2013, the Trust's net position increased by \$580,840 or .7% due to investment income outpacing the payment of benefits. The Trust has no liabilities as the invoices were paid before June 30, 2013.

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>2011</u>	<u>Change</u>
Net investment income	\$ 7,900,276	\$ 2,934,585	\$ 4,965,691	\$ 13,614,624	\$ (10,680,039)
<b>Total Additions</b>	<u>\$ 7,900,276</u>	<u>\$ 2,934,585</u>	<u>\$ 4,965,691</u>	<u>\$ 13,614,624</u>	<u>\$ (10,680,039)</u>

**(Table 3)  
Deductions to Trust Net Position**

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>2011</u>	<u>Change</u>
Benefits paid	\$ 7,281,976	\$ 6,119,715	\$ 1,162,261	\$ 5,336,396	\$ 783,319
Administrative expenses	37,460	32,698	4,762	30,711	1,987
<b>Total Deductions</b>	<b>\$ 7,319,436</b>	<b>\$ 6,152,413</b>	<b>\$ 1,167,023</b>	<b>\$ 5,367,107</b>	<b>\$ 785,306</b>

The distributions to participants in 2013, which represent premium payments for retiree medical benefits, increased by \$1,162,261 compared to 2012 due to increased costs per member and additional retirees receiving benefits.

The distributions to participants in 2012, which represent premium payments for retiree medical benefits, increased by \$783,319 compared to 2011 due to increased costs per member and additional retirees receiving benefits.



**FINANCIAL SECTION**

**STATEMENTS OF TRUST NET  
POSITION**

*Kern Community College  
Public Retirement System*

June 30	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
INVESTMENTS AT FAIR VALUE		
Cash and cash equivalents	\$ 51	\$ 51
Investments	<u>86,137,873</u>	<u>87,861,348</u>
<b>Total Investments</b>	86,137,924	87,861,399
RECEIVABLES		
Interest receivable	<u>99,877</u>	<u>111,815</u>
<b>Total Assets</b>	86,237,801	87,973,214
LIABILITIES		
Benefits payable	<u>-</u>	<u>2,316,253</u>
<b>Net Position Held in Trust for Other Postemployment Benefits</b>	<u>\$ 86,237,801</u>	<u>\$ 85,656,961</u>

*The accompanying notes are an integral part of these financial statements.*

**STATEMENTS OF CHANGES IN  
TRUST NET POSITION**

*Kern Community College  
Public Retirement System*

Years Ended June 30	2013	2012
<b>ADDITIONS TO NET POSITION ATTRIBUTED TO:</b>		
INVESTMENT INCOME		
Interest and dividends	\$ 997,721	\$ 1,620,032
Net appreciation in fair value of investments	6,902,555	1,314,553
<b>Total Additions</b>	<b>7,900,276</b>	<b>2,934,585</b>
<b>DEDUCTIONS FROM NET POSITION ATTRIBUTED TO:</b>		
Benefits paid	7,281,976	6,119,715
Administrative expenses	37,460	32,698
<b>Total Deductions</b>	<b>7,319,436</b>	<b>6,152,413</b>
<b>Net Change</b>	580,840	(3,217,828)
<b>Net Position Held in Trust for Other Postemployment Benefits - Beginning of Year</b>	<b>85,656,961</b>	<b>88,874,789</b>
<b>Net Position Held in Trust for Other Postemployment Benefits - End of Year</b>	<b>\$ 86,237,801</b>	<b>\$ 85,656,961</b>

*The accompanying notes are an integral part of these financial statements.*

**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2013 and 2012

*Kern Community College  
Public Retirement System*

**1. DESCRIPTION OF PLAN**

The following description of the Kern Community College Public Retirement System (the Trust), a component unit of the Kern Community College District (the District), provides only general information. Readers should refer to the Trust agreement for a more complete description of the Trust's provisions.

**General** The Trust is a contributory single-employer defined benefit Trust administered by the Kern Community College District Public Retirement System. The current membership of the Trust as of June 30, 2013 and 2012, is comprised of the following:

<u>June 30</u>	<u>2013</u>	<u>2012</u>
<u>Retirees and beneficiaries currently receiving benefits</u>	<u>473</u>	<u>460</u>

Currently, the District has 845 active full-time employees who are eligible for postretirement health benefits.

**Trust Benefits** The District provides postemployment health care benefits for eligible employees who retire with CalPERS or CalSTRS pension benefits immediately upon termination of employment from the District through the Kern Community College District Postretirement Health Benefits Plan (the Plan). The Plan is a single-employer OPEB plan and obligations of the Plan members and the District are based on negotiated contracts with the various bargaining units of the District.

Retirees receiving a pension from either CalPERS or CalSTRS are eligible for benefits depending on their most recent date of hire and their benefit eligibility service. The District pays up to 100% of the eligible retirees' medical and dental plan premiums depending on certain eligibility criteria.

The retirement health benefit may continue for the lifetime of a surviving spouse and for other dependents as long as they are entitled to coverage under pertinent eligibility rules.

**Contributions** The District issued OPEB bonds in the 2009 year to assist with the funding of the obligation, and the Trust will be funded with additional contributions, if necessary, based on the District's annual approved final budget.

**Trust Termination** In the event of Trust termination, the net position of the Trust would be allocated as prescribed in the Trust documents, generally to pay in the order indicated:

- Trust's remaining retiree OPEB liabilities
- Reasonable expenses of administering the Trust

Any assets remaining in the Trust after paying off the above liabilities would revert back to the District.

**NOTES TO THE FINANCIAL  
STATEMENTS**

June 30, 2013 and 2012

*Kern Community College  
Public Retirement System*

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting*** The accompanying financial statements are prepared using the accrual basis of accounting. Trust contributions are recognized in the period in which the contributions are due. Employer contributions to the Trust are recognized when due and the District has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

***Investments*** Investments are reported at fair market value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates. Purchases and sales of securities are reflected on the trade date. Investment income is recognized as earned.

***Net Appreciation on Investments*** Net appreciation on investments represents realized and unrealized gains. Unrealized appreciation adjusts investment carrying amounts to reflect current market values based on quoted prices in an active market.

***Administrative Expenses*** Certain internal costs of administering the Trust are paid by the Trust. Administrative expenses for the year ended June 30, 2013 and 2012, were \$37,460 and \$32,698, respectively.

***Estimates*** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

***Change in Accounting Principles*** The Trust adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Trust has implemented this reporting for the year ended June 30, 2013. The components of net position were renamed to reflect the requirements of this statement.

**3. INVESTMENTS**

The Trust has adopted an internally developed investment policy that is governed by the standards established in the California Constitution. In addition, the Trust has written investment policies regarding the type of investments that may be made specifically for the Trust and the amount, which may be invested in any one financial institution or amounts that may be invested in long-term instruments. Management believes the Trust has complied with the provisions of statutes pertaining to the types of investments held, institutions in which deposits were made, and security requirements.

There are two different types of trusts making up the OPEB fund: revocable and irrevocable. The District has deposited funds into two irrevocable trusts and one revocable trust. The trusts were created in order to diversify the investment management risk of the funds and to allow flexibility in managing the funds should there be unanticipated decreases in the OPEB liability. The total investment amounts include both revocable trust accounts and irrevocable trust accounts.

**NOTES TO THE FINANCIAL  
STATEMENTS**

June 30, 2013 and 2012

*Kern Community College  
Public Retirement System*

For investments, the District's policy requires that a third-party bank trust department hold all securities owned by the District in the District's name.

*Interest Rate Risk:* Interest rate risk is the risk that changes in market rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rates. One of the Trust's primary goals is to provide sufficient liquidity to meet future retirees' other postemployment benefit obligations; however, the Trust does not have any policies specifically addressing interest rate risk.

*Credit Risk:* Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by the nationally recognized statistical rating organizations. The Trust's investment policy has mitigated credit risk by prioritizing safety of principal above other investment objectives, by requiring third-party investment manager applicants to meet certain requirements, by diversifying the portfolio, and by establishing monitoring procedures.

*Concentration of Credit Risk:* Concentration of credit risk is the risk that the failure of anyone issuer would place an undue financial burden on the Trust. The Trust's investment policy mitigates the concentration of credit risk by identifying percentage ranges for different types of investments and specific targets within the percentage ranges. Disclosure of concentration of credit risk is defined as any investment with one issuer that is greater than 5% of the total Trust investments. No investments with one issuer exceed 5%.

The following tables show the time distribution for the maturity of the Trust's fixed income assets.

The maturity of the Trust's fixed income assets as of June 30, 2013, are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>One to Five Years</u>	<u>Greater Than Five Years</u>	<u>Unrated</u>
Fixed income	\$14,360,935	\$ -	\$ 1,147,698	\$ 7,996,697	\$ 5,216,540

The maturity of the Trust's fixed income assets as of June 30, 2012, are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>One to Five Years</u>	<u>Greater Than Five Years</u>	<u>Unrated</u>
Fixed income	\$26,636,316	\$ -	\$ 1,641,143	\$24,995,173	\$ -

**NOTES TO THE FINANCIAL  
STATEMENTS**  
June 30, 2013 and 2012

*Kern Community College  
Public Retirement System*

The following tables show the credit rating of the Trust's fixed income assets.

The credit rating of the Trust's fixed income assets as of June 30, 2013, are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>A</u>	<u>AA</u>	<u>AAA</u>	<u>BBB</u>	<u>Unrated</u>
Fixed income	\$14,360,935	\$ 2,648,403	\$ 2,878,219	\$ 3,947,365	\$ 640,516	\$ 4,246,432

The credit rating of the Trust's fixed income assets as of June 30, 2012, are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>A</u>	<u>AA</u>	<u>AAA</u>	<u>BBB</u>	<u>Unrated</u>
Fixed income	\$26,636,316	\$ 2,766,793	\$ 6,109,589	\$ 4,337,701	\$ 954,525	\$12,467,708

The following is a summary of the credit quality distribution for investments with credit exposure as a percentage of total investments at June 30, 2013 and 2012, as rated by Standard and Poor's:

<u>Type of Investment</u>	<u>Rating</u>	<u>Percentage of Portfolio</u>	
		<u>2013</u>	<u>2012</u>
Certificates of deposit	AAA	1.57%	1.25%
	Unrated	1.54%	0.00%
Corporate obligations	A	3.07%	3.15%
	AA	3.34%	6.95%
	AAA	4.58%	4.94%
	BBB	0.74%	1.09%
	B	0.00%	0.00%
	Unrated	4.93%	14.19%
Equities	Unrated	3.58%	26.64%
Money market	Unrated	75.76%	41.22%
Municipal bonds	AAA	0.00%	0.00%
	AA	0.00%	0.00%
	A	0.00%	0.00%
	BBB	0.00%	0.00%
	B	0.00%	0.00%
	Unrated	0.00%	0.00%
Mutual funds	Unrated	0.89%	0.57%
Preferred stock	Unrated	0.00%	0.00%
	A	0.00%	0.00%
	AA	0.00%	0.00%
	AAA	0.00%	0.00%
	B	0.00%	0.00%
	Unrated	0.00%	0.00%
U.S. Government obligations	AAA	0.00%	0.00%
<b>Total</b>		<b>100.00%</b>	<b>100.00%</b>

**4. FUNDED STATUS AND FUNDING PROGRESS**

The District's funded status of the Plan as of the actuarial date below was as follows:

	<u>February 1, 2011</u>	<u>June 30, 2012</u>
Actuarial accrued liability (AAL)	\$ 67,675,250	\$ 89,874,408
Actuarial value of plan assets	84,044,523	87,973,160
<b>Unfunded Actuarial Accrued Liability</b>	<b>\$ (87,528,266)</b>	<b>\$ (70,037,220)</b>
Funded ratio (actuarial value of plan assets/AAL)	124.19%	97.88%
Covered payroll (active members)	\$ 48,163,240	\$ 46,757,426
<b>UAAL as a Percentage of Covered Payroll</b>	<b>181.73%</b>	<b>149.79%</b>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the Plan by employers in comparison to the annual required contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.



**NOTES TO THE FINANCIAL  
STATEMENTS**

June 30, 2013 and 2012

*Kern Community College  
Public Retirement System*

Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2012
Actuarial cost method	Entry age
Amortization method	Level percentage of pay - open
Remaining amortization period	28 years
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	6.00%
Health care cost trend rate	4.00%

**REQUIRED SUPPLEMENTARY INFORMATION SECTION**

**SCHEDULE OF FUNDING PROGRESS**  
 June 30, 2013 and 2012

*Kern Community College*  
*Public Retirement System*

	<b>June 30, 2012</b>
Actuarial accrued liability (AAL)	\$ 89,874,408
Actuarial value of plan assets	87,973,160
<b>Unfunded Actuarial Accrued Liability</b>	<b>\$ (70,037,220)</b>
Funded ratio (actuarial value of plan assets/AAL)	97.88%
Covered payroll (active members)	\$ 46,757,426
<b>UAAL as a Percentage of Covered Payroll</b>	<b>149.79%</b>

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Actuarial accrued liability (AAL)	\$ 67,675,250
Actuarial value of plan assets	84,044,523
<b>Unfunded Actuarial Accrued Liability</b>	<b>\$ (87,528,266)</b>
Funded ratio (actuarial value of plan assets/AAL)	124.19%
Covered payroll (active members)	\$ 48,163,240
<b>UAAL as a Percentage of Covered Payroll</b>	<b>181.73%</b>

**SCHEDULE OF EMPLOYER  
CONTRIBUTIONS**

June 30, 2013 and 2012

*Kern Community College  
Public Retirement System*

The annual required contribution and the percentage contributed for the years ended June 30, 2013, 2012, and 2011, are as follows:

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
June 30, 2013	\$ 1,869,328	0.00%
June 30, 2012	\$ 453,447	0.00%
June 30, 2011	\$ 453,447	0.00%

**OTHER REPORT SECTION**



MATSON  
& ISOM

**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Kern Community College  
Public Retirement System  
Bakersfield, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Kern Community College Public Retirement System (the Trust), a component unit of the Kern Community College District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated May 28, 2014.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Trust's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Continued

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Matson and Isom*

May 28, 2014  
Redding, California