

FRESNO COUNTY EMPLOYEES' RETIREMENT
ASSOCIATION

STRATEGIC PLAN

JUNE 2008

CONTENTS

PAGE	SECTION
2	SECTION I - BACKGROUND
6	SECTION II – MISSION AND VALUES
7	SECTION III – STRATEGIC POSITIONING, THREATS, AND DIRECTION
13	SECTION IV - PRIORITY PROJECTS AND POTENTIAL FUTURE PROJECTS
18	SECTION V – REPORTING AND REVIEW

SECTION I - BACKGROUND

The Fresno County Employees' Retirement Association (FCERA) is an independent association created under the County Employees' Retirement Law of 1937 and subject to the laws governing fiduciaries. FCERA has a membership of over 14,000 people, over \$2.9 billion in assets, and an annual administrative budget of approximately \$3.4 million.

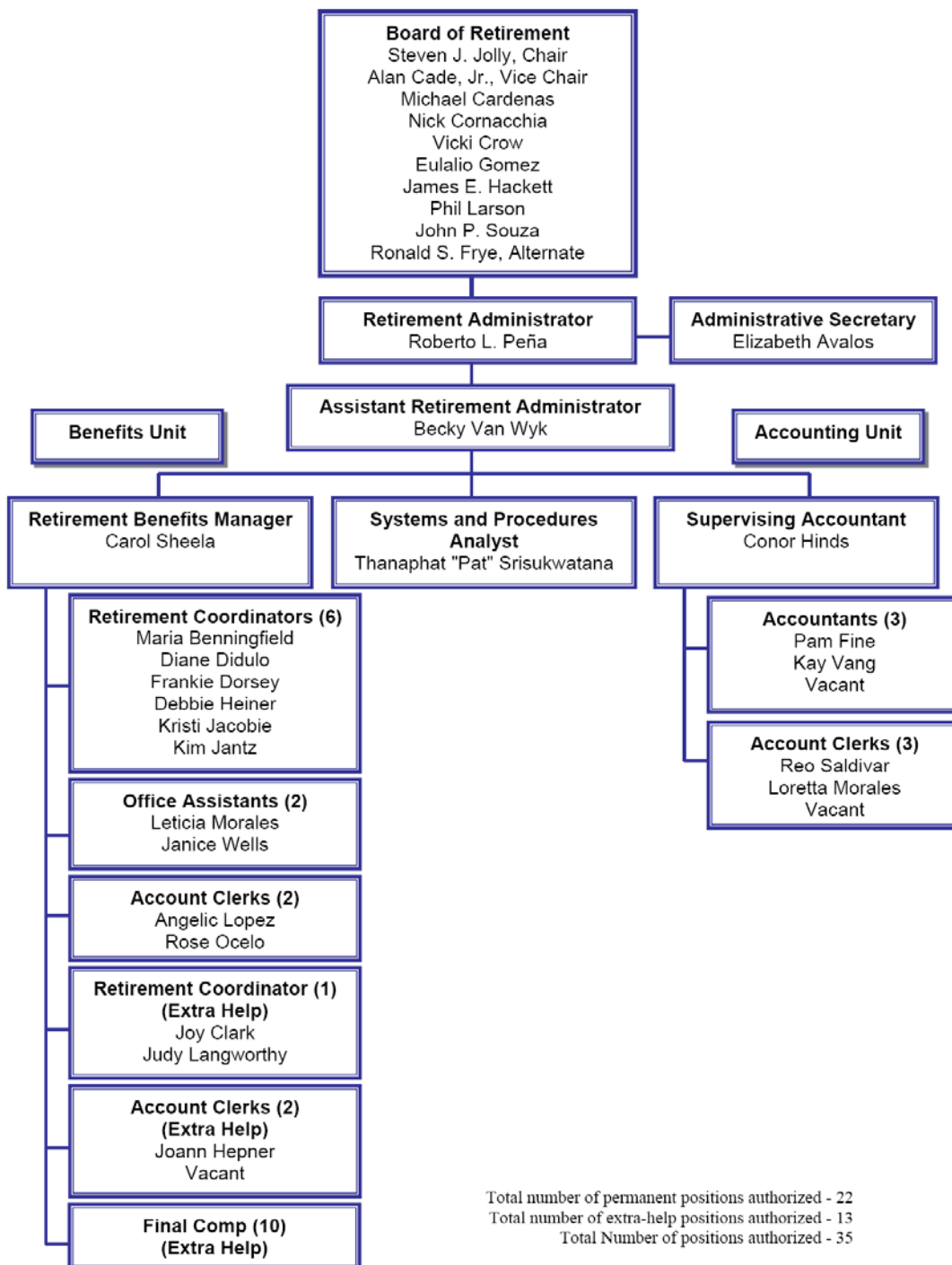
The FCERA provides retirement, disability, and death benefits for eligible Fresno County employees and participating agencies including the Fresno-Madera Area Agency on Aging, Clovis Memorial District, Fresno Mosquito and Vector Control District, and Fresno County Office of Education. Superior Court of California, County of Fresno (Courts) employees are currently considered County employees for retirement purposes. In the future, however, Courts may become a Special District for retirement purposes.

Under the direction and oversight of a ten-member board, one member of which is an alternate member, the FCERA staff is responsible for a broad range of activities critical to the interests of plan members and the County. These include but are not limited to:

- providing plan members information about their benefits and entitlements under law, by-laws, and board policies.
- individual counseling to plan members in preparation for retirement.
- ensuring timely and accurate payment of benefits.
- accounting for contributions and investment income.
- assisting in the oversight of the investment program.
- identifying, developing, and proposing laws, rules, and policies that support the best interests of the membership.

Exhibit I contains an administrative organization chart for the FCERA.

Exhibit I
Administrative Organization Chart



Strategic Planning Methodology

The governance policies recently adopted by the Board stipulate that the Board will approve a Strategic Plan for the FCERA and any updates thereto, as it deems appropriate.

The FCERA's approach to strategic planning is based on the following beliefs and assumptions:

- Strategic planning is critical to ensuring that the FCERA focuses its resources on addressing the most important issues and challenges it faces each year, and that the organization makes steady progress in carrying out the various projects it has committed to.
- The planning horizon covered by the FCERA Strategic Plan will generally be 1-3 years in length, but the Plan will normally be updated annually.

Each year, FCERA Administration will review the Strategic Plan to:

- assess progress on, and the continued appropriateness of, current projects
- consider new challenges and needs that may have arisen
- identify new projects that may need to be undertaken

Based on the above review, FCERA Administration will revise the Strategic Plan by updating the status of current projects, removing completed projects, and proposing new projects with supporting rationale. To the extent possible, strategic planning projects will be described in detail, including specific deliverables, milestones, responsible parties, timelines, and budget implications.

Each year, FCERA Administration will solicit input from the Board on the Strategic Plan using surveys, meetings, presentations or other appropriate means. FCERA Administration will subsequently revise the proposed Strategic Plan based on any feedback received from the Board, and will present the revised Plan to the Board for approval. FCERA Administration will report to the Board periodically on progress achieved in implementing the Strategic Plan.

Criteria for Establishing Strategic Plan Projects

FCERA recognizes that there exist countless approaches to strategic planning and to determining what constitutes a strategic planning project. In developing its own Strategic Plan, FCERA will be guided by the following:

- The vast majority of current staff resources within FCERA are dedicated to carrying out the normal, ongoing operations of FCERA. This leaves limited resources to undertake additional projects within the Strategic Plan. Accordingly, the Strategic Plan will focus on a small number of projects that are crucial to the ongoing success of the organization.
- The Strategic Plan will not be used to describe the ongoing and routine projects undertaken by the FCERA as part of its normal operations. Instead, the Strategic Plan will contain only special one-time projects that are outside normal operations.

SECTION II – MISSION AND VALUES

The Mission of FCERA is:

... to administer the retirement benefits provided for by law to the members and beneficiaries of the Fresno County Employees' Retirement Association in a prudent, accurate, cost-effective, and timely manner; and

... to administer the investment funds of the Association in a cost-effective manner that achieves FCERA's investment and funding objectives within prudent levels of risk.

Our Core Values:

FCERA is required to carry out all of its activities in a manner consistent with the fiduciary duties set out in laws that govern fiduciaries. These include, but are not limited to:

Exclusive Benefit Rule: The assets of the retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the system.

Primary Duty Rule: The retirement board has sole, exclusive fiduciary responsibility over the assets and administration of the retirement system ... the board's duty to its participants and their beneficiaries shall take precedence over any other duty.

Prudent Person Rule: Members of the retirement board shall discharge their duties ... with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

In addition to the above fiduciary duties, FCERA is committed to other important values that guide how it operates:

- *Honesty and integrity;* FCERA aims to carry out all of its activities in accordance with the highest degrees of honesty and integrity.
- *Professionalism;* The people associated with FCERA are true professionals and operate at the forefronts of their respective fields.
- *Reliability and stability;* FCERA will instill confidence in the membership and stakeholders through timely and responsive service.
- *Team orientation;* the people at FCERA work together as a team to solve members' problems, and overcome challenges as they arise.

- *Reliability and security*; FCERA aims to respond to member needs in a timely and consistent manner, and ensure the security of their benefits.
- *Education*; Continuing and effective education of members and stakeholders is a cornerstone of the FCERA culture.

SECTION III – STRATEGIC POSITIONING, THREATS, AND DIRECTION

This section of the Strategic Plan is intended to more clearly define how FCERA will position itself strategically to carry out the above mission and values, and set out the strategic direction of FCERA for the coming years. Detailed descriptions of the projects FCERA will undertake in pursuing its strategic direction are set out in Section IV.

While public retirement systems, particularly other 37 Act systems, generally have missions similar to that of FCERA, they are free to carry out their missions in different ways. FCERA has developed its own unique approach to carrying out its mission. The balance of this section describes FCERA's strategic position with respect to each of the following issues:

- Clients
- Member service quality
- Governance and board decision-making
- Investment management
- Operational risk management
- Corporate governance
- Stakeholder relations
- Benefit policy

Clients ...

FCERA serves two distinct client groups:

Members. FCERA views its members as its primary clients to whom it owes fiduciary duties, and FCERA is committed to providing them with excellent, cost-effective service. FCERA defines members to include active, deferred, and retired members, and their beneficiaries.

Stakeholders. FCERA also has numerous stakeholders. While FCERA generally does not owe a fiduciary duty to its stakeholders, it considers them to be highly important and aims to create and maintain effective working relationships with them. FCERA's stakeholders include:

- Employers including the County of Fresno, the Fresno-Madera Area Agency on Aging, Clovis Memorial District, and Fresno Mosquito and Vector Control District.
- The Board of Supervisors.
- Taxpayers and the general public.

Member Service Quality ...

FCERA is committed to being a member service-oriented organization. It has already made considerable progress on this front, but recognizes that more effort is needed. FCERA's strategic approach to service quality can be described as follows:

- FCERA will continually look to other entities and industries (i.e. public retirement systems and other 1937 Act systems, government agencies, and private sector corporations) in an effort to identify best practices in customer service. The purpose of this will not be to benchmark FCERA's services, but rather to learn about what other organizations are doing in the area of customer service and to assess applicability to FCERA.
- In addition to continually identifying best practices, FCERA is committed to building the capabilities to measure and assess the quality of its customer service so as to facilitate continuous improvement. These capabilities would include:
 - Clearly defining customer service and FCERA's customers.
 - Developing meaningful measures or benchmarks for evaluating customer service.
 - Developing customer service measurement methodologies (e.g. statistics, surveys, focus groups).
 - Developing reporting and follow-up mechanisms.

FCERA takes a long-term perspective to its member service goals, as it recognizes that building a truly service-oriented organization will take a number of years and considerable resources.

Governance and Board Decision-making ...

As the operations of FCERA have grown increasingly complex in recent years and the Board has had to address a number of difficult issues, the Board has recognized the need to take a policy-focused approach to board governance, as such an approach supports:

- more efficient and effective decision-making.
- better risk management.
- more effective use of staff and external resources.

FCERA has recently taken important steps towards developing a greater policy focus, including the preparation of a governance policy manual in 2007. The Board will continue to build on this approach through continuing board education, governance policy work, risk management, and strategic planning.

Investment Management ...

FCERA is committed to achieving strong investment returns. Due to the size of its portfolio, the FCERA Board and management have historically relied on outside consultants to assist them in overseeing the investment program. As the investment portfolio has grown to approximately \$3 billion in assets, FCERA recognizes that it may need to change its approach to the investment management function. Specifically, it may need to establish internal staff oversight capabilities to augment current outside resources and to help oversee consultants and managers.

FCERA recognizes that such a change would represent a significant and important change in direction and therefore warrants careful consideration.

Operational Risk Management ...

As FCERA grows and its environment becomes more complex, it recognizes that it can no longer emphasize performance considerations at the expense of risk management. Instead, it must begin taking a more balanced approach by devoting greater efforts to operational risk management. FCERA has recently begun moving in this direction through recent projects in board governance and strategic planning, and through discussions of organizational structure and human resource management. As part of its strategy, FCERA expects to continue moving in this direction in the future.

Corporate Governance ...

FCERA recognizes that it has a fiduciary duty to protect the assets of the Association, which includes voting its proxies in the best interests of its members and beneficiaries and engaging in securities litigation as necessary, as either part of a class or, when justified, as lead plaintiff.

Unlike larger systems, however, FCERA has limited resources to devote to more intense corporate governance initiatives such as performing independent research into the corporate governance practices of corporations it invests in, or meeting with management teams at underperforming corporations or with poor governance practices. Accordingly, FCERA's strategic approach is to fulfill its fiduciary duties relative to corporate governance, but not to take an unduly activist approach.

Stakeholder Relations ...

As described earlier in this document, FCERA's stakeholders include at a minimum:

- Employers including the County of Fresno, the Fresno-Madera Area Agency on Aging, Clovis Memorial District, Fresno Mosquito and Vector Control District, and North Central Fire Protection District.
- The Board of Supervisors.
- Taxpayers and the general public.

FCERA believes that stakeholder relations are an important, albeit secondary, business of the Association (its primary businesses are client service and investment management). In particular, FCERA believes it has a role in providing employers with expert information and support that enables them to make informed decisions concerning the design and funding of retirement benefits.

Stakeholder relations, however, can be challenging given that FCERA's stakeholders often have divergent interests, and are not always receptive to FCERA's efforts to engage them. To be successful, therefore, FCERA believes it must take a formal and systematic approach to stakeholder relations, similar to that used in the member service and investment programs.

The County of Fresno is a particularly important stakeholder of FCERA. While FCERA is legally an independent entity, it was historically intertwined with the County. As a result, issues arise from time-to-time concerning FCERA's authority over such things as human resources, budgeting, and legal services. To date, FCERA's approach to the County has been to try to work constructively with the County to resolve such issues as they arise. This strategy has generally been satisfactory

and there is no expressed agreement within FCERA to consider a change in approach. Nevertheless, this is an issue that the Board may consider further in the future.

In thinking about stakeholder relations, FCERA also considered the role of the media. Though it does not consider the media to be a stakeholder, FCERA recognizes the important role the media plays and the need to support the media when necessary to ensure it is able to report accurately on the activities of FCERA.

Pension Benefit Policy ...

The primary duty of retirement systems is to administer pension benefits provided for, and in accordance with, their governing legislation. In addition, however, retirement systems play different roles with regard to benefit design and benefit levels. At one extreme, they may choose to play little or no role in influencing benefit design and benefit levels, while at the other extreme, they may act as advocates, attempting to shape these issues as they deem most appropriate.

FCERA does not believe it should position itself to be an advocate for specific benefit changes, nor does it believe it should be solely a provider of pension administration services. Precisely how FCERA will position itself between these two positions is a complex issue and will require further strategic discussion among the Board and staff. As FCERA further clarifies its position, it will update the Strategic Plan accordingly.

STRATEGIC THREATS

Some of the major threats FCERA faces include:

- Benefit improvements that result in excessive growth in plan liabilities.
- The rise of defined contribution plans and growing public pressures against defined benefit plans.
- Deteriorating capital market returns.
- The risk of internal failures or mishaps in the FCERA operations.
- Excessive external scrutiny and loss of autonomy by FCERA.

STRATEGIC DIRECTION

FCERA believes that all of the strategic issues discussed herein are important to the long-term success of the Association and will devote resources to all of them over time. However, given its limited financial, board, and staff resources, FCERA will focus on certain strategic directions over the coming 18-24 month period. These include:

1. **Stakeholder relations.** FCERA will focus on building and maintaining effective relations with stakeholders, with the Board of Supervisors being a strategic priority.
2. **Member service quality.** Specifically, FCERA will focus on:
 - a. Resolving pre-existing issues and problems.
 - b. Building a service quality measurement capability.
3. **Risk management.** Specifically, FCERA will explore risk management opportunities relating to the investment function and to internal controls.

The following section of this Plan (Section IV) contains priority projects FCERA will undertake in pursuing the above strategic directions.

SECTION IV - PRIORITY PROJECTS AND POTENTIAL FUTURE PROJECTS

<i>Project Name</i>	Member Service Quality Measurement Project
<i>Rationale</i>	Providing quality membership services is central to the FCERA Mission. In order to be in a position to assess the extent to which FCERA is fulfilling this aspect of its Mission, it must develop mechanisms to measure and track member satisfaction.
<i>Project Deliverables</i>	At the completion of this project, FCERA will have: <ol style="list-style-type: none"> 1. A Client Satisfaction Measurement Plan, setting out the objectives of the measurement program, the target client groups, the frequency of measurement, and the methodologies to be used. 2. Appropriate satisfaction measurement tools for each client group and activities to be targeted (e.g. surveys aimed at actives, retirees, employers, etc.). 3. Results of pilot survey.
<i>Time Frame</i>	FCERA Administration expects that the project will be completed by June 30, 2009, with ongoing refinements occurring thereafter.
<i>Milestones</i> <i>July 08 – June 09</i>	<ol style="list-style-type: none"> 1. Preparation of Client Satisfaction Measurement Plan. 2. Design of one satisfaction measurement survey. 3. Administration of pilot survey.
<i>Responsible Staff</i>	Carol Sheela, Retirement Benefits Manager Roberto L. Peña, Retirement Administrator
<i>Approved Budget</i> <i>Implications</i>	Yet to be determined. Will receive a presentation from Cost Effectiveness Measurement (CEM) Benchmarking, Inc. an independent provider of objective and actionable benchmarking information for pension plans later this month. Any estimated costs associated with the project will be included in the upcoming Budget Process for FY 2008-09.
<i>Contingencies</i>	FCERA Administration does not foresee any likely obstacles to completing the proposed fiscal year milestones.

<i>Project Name</i>	Internal Investment Position Feasibility Project
<i>Rationale</i>	As the pension fund is set to pass \$3.0 billion in assets, the purpose of this project is to determine the feasibility of establishing an internal investment staff position that, in concept, would provide additional, enhanced oversight of our investment function, investment consultant, and managers.
<i>Project Deliverables</i>	At the completion of this project, FCERA will have prepared a report or presentation on the feasibility of an Investment Staff position. There are several components to the study: <ol style="list-style-type: none"> 1. Benchmarking the position against other organizations similar to FCERA. 2. Determining how the position might fit within FCERA's investment function and process, and possible changes that might be needed. 3. Preparation of a staff recommendation.
<i>Time Frame</i>	FCERA Administration expects that this project will be completed by March 31, 2009.
<i>Milestones</i> <i>July 08 – March 09</i>	<ol style="list-style-type: none"> 1. Identify critical functions, needs, and requirements of the proposed position within the FCERA structure. 2. Conduct risk assessment of external and internal investment-related forces. 3. Determine feasibility based on cost-benefit analysis.
<i>Responsible Staff</i>	Roberto L. Peña, Retirement Administrator
<i>Approved Budget</i> <i>Implications</i>	None, other than the Administrator's time required during the feasibility stage of the project. If added, however, the new position would most likely cost FCERA over \$100,000 in annual salary and benefits starting with FY 2009-10.
<i>Contingencies</i>	FCERA Administration does not foresee any likely obstacles to completing the project within the proposed timeline.

<i>Project Name</i>	Accounting Software Project
<i>Rationale</i>	FCERA's current accounting package is about eight years old with limited capabilities and no technical support available to maintain it. To improve operational efficiencies and reporting within FCERA, a new accounting package is needed that has stronger reporting capabilities and flexible integration modules.
<i>Project Deliverables</i>	<p>The project has three phases with distinct deliverables:</p> <p>Phase 1 Identify and assess available software solutions and purchase optimal accounting package containing a General Ledger with Advanced Financial Analysis, Bank Reconciliation, Investment Mgt. and Integration Manager.</p> <p>Phase 2 Data conversion and testing.</p> <p>Phase 3 Integration with Custodian bank.</p> <p>Phase 4 Integration with <i>PENSIONS</i>[®] program.</p>
<i>Time Frame</i>	FCERA expects that Phases 1 and 2 will be completed by December 31, 2009. At this time, it is difficult to provide a reasonable estimate as to the completion of Phases 3 and 4 in light of the project for the new benefit software package.
<i>Milestones</i> <i>July 08- December 09</i>	<p>Completion of Phases 1 & 2:</p> <ul style="list-style-type: none"> - Identify business requirements and develop RFP. - Evaluate RFP's for accounting software. - Identify/purchase software package. - Implementation (data conversion and testing).
<i>Responsible Staff</i>	Conor Hinds, Supervising Accountant and Roberto L. Peña, Retirement Administrator
<i>Approved Budget</i> <i>Implications</i>	At this time, budget is unknown but we expect to have a cost range for the 2008-09 Fiscal Year budget.
<i>Contingencies</i>	FCERA Administration does not foresee any likely obstacles to completing the current year milestones.

<i>Project Name</i>	Information Technology Roadmap/Assessment Project
<i>Rationale</i>	In order to meet FCERA's goal of providing members with quality service in a cost-effective manner, appropriate Information Technology (IT) infrastructure planning is necessary. To ensure implementation of an IT plan with optimum major systems, conversions, resources, security and the like, that will meet FCERA's needs, a thorough assessment of FCERA's IT needs is required.
<i>Project Deliverables</i>	By the completion of this project, FCERA will have: <ol style="list-style-type: none"> 1. Issued an RFP for an IT consultant to perform a benefit needs assessment. 2. Selected and contracted with an appropriate consulting firm. 3. Received the consultant's final report of findings.
<i>Time Frame</i>	FCERA Administration expects that the project will be completed by June 30, 2009.
<i>Milestones</i> <i>July 08- June 09</i>	<ol style="list-style-type: none"> 1. Develop RFP. 2. Board to approve RFP. 3. Hire consultant and have contract in place. 4. Consultant to submit report of findings.
<i>Responsible Staff</i>	Pat Srisukwatana, Systems and Procedures Analyst and Roberto L. Peña, Retirement Administrator
<i>Approved Budget Implications</i>	The cost of this project is currently estimated in the \$200,000 to \$250,000 range.
<i>Contingencies</i>	FCERA Administration does not foresee any likely obstacles to completing the fiscal year milestones.

<i>Project Name</i>	Stakeholder Relations Program
<i>Rationale</i>	FCERA has identified stakeholder relations as an important part of its business, as effective relations with stakeholders is crucial to many of FCERA's goals and objectives. FCERA believes it must approach stakeholder relations in a structured and thoughtful manner, similar to the approach it takes in other aspects of its business. This project is an important step in this approach.
<i>Project Deliverables</i>	By the completion of this project, FCERA Administration will have recommended a written Stakeholder Relations Program to the Board for approval.
<i>Time Frame</i>	FCERA Administration expects that the above deliverables will be completed by June 30, 2009.
<i>Milestones</i> <i>July 08 - June 09</i>	<ol style="list-style-type: none"> 1. Establish a staff committee to develop the Program. 2. Determine whether outside support and expertise would be beneficial. 3. Obtain input from board members and stakeholders. 4. Prepare draft Program and review with the Board. 5. Finalize Program for Board approval.
<i>Responsible Staff</i>	Becky Van Wyk, Assistant Retirement Administrator and Roberto L. Peña, Retirement Administrator
<i>Approved Budget Implications</i>	It is expected that the Program can be developed using in-house resources. If an outside advisor is retained, estimated costs will be obtained.
<i>Contingencies</i>	FCERA Administration does not foresee any likely obstacles to completing the current year milestones.

Potential Future Projects

As stated earlier in this document, FCERA has limited resources to devote to strategic planning initiatives, and therefore will focus on the limited number of priority projects listed above. Other important projects that were considered but deferred for future re-consideration include:

1. Operations Reorganization Assessment Project. This project would involve assessing FCERA's current operations and organizational structure to determine if it best supports FCERA's service quality goals, and whether alternative structures and processes should be considered. FCERA Administration believes this project is not a priority at this time, and that it would be useful to first complete the Technology Road Map/Assessment Project.
2. Facility Assessment Project. This project would involve reviewing the office space needs of FCERA. Again, FCERA Administration believes this project should be re-considered once the Technology Road Map/Assessment Project and other benefit-related projects and issues are addressed.

Section V - Reporting and Review

FCERA Administration will report periodically to the Board on the status of the priority projects described herein. The frequency of such reporting will vary according to the project in question, but will occur not less than semi-annually.

The Strategic Plan and the operating budget will together serve as the primary formal organizational planning tools of FCERA. Accordingly, the Board and staff will periodically review the Strategic Plan to ensure its continued appropriateness.

This Strategic Plan was adopted by the Board on [month, day, year].