BOARD OF RETIREMENT
FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

May 7, 2008

Trustees Present:

Alan Cade, Jr.
Michael Cardenas
Nick Cornacchia
Vicki Crow
Eulalio Gomez
James E. Hackett
Phil Larson
John Souza

Trustees Absent:

Steven J. Jolly

Others Present:

Ronald S. Frye, Alternate Trustee
Michael Cunningham, FCERA Retiree
Roger Greening, FCERA Retiree
Ron Madsen, FCERA Retiree
Ken Hoy, Son of Delores Hoy – FCERA Member
Jeffrey MacLean, Wurts & Associates
Attorney Jeffrey Rieger, Reed Smith LLP – via tele-conference
Adam Spector, Brandywine Global Investment Management LLC
Henry Otto, Brandywine Global Investment Management LLC
Ted Bradford, Bradford & Marzec
Douglas Lopez, Bradford & Marzec
Brian Decker, Colliers Tingey
Robert Landen, Deputy County Counsel
Roberto L. Peña, Retirement Administrator
Becky Van Wyk, Assistant Retirement Administrator
Elizabeth Avalos, Administrative Secretary

1. Call to Order

Vice Chair Cade called the meeting to order at 8:39 AM.

2. Pledge of Allegiance

Recited.

3. Public Presentations

None.

Consent Agenda/Opportunity for Public Comment

Roberto L. Peña, Retirement Administrator, pulled Consent Agenda Item 15 for discussion.

Trustee Crow joined the Board at 8:40 AM.

Trustee Souza pulled Consent Agenda Item 17 for discussion.

A motion was made by Trustee Souza, seconded by Trustee Gomez, to Approve Consent Agenda Items 4-14, 16, and 18. VOTE: Unanimous (Absent – Jolly, Larson)

***4. Approve the April 16, 2008 Retirement Board Regular Meeting Minutes**

RECEIVED AND FILED; APPROVED

***5. Retirements**

RECEIVED AND FILED; APPROVED

Victor Alcazar	Probation	30.46
Ray Anaya	Behavioral Health, Deferred	22.51
Teresa Davis	Probation, Deferred	12.12
David R. Dent	Behavioral Health, Deferred	5.01
Elaine Duran	E&TA	32.38
Elizabeth Galindo-Edwards	Sheriff	19.94
Guadalupe Garnica	Children & Family Services	16.02
Ernestina Giraldes	VMC, Deferred	14.11
Elizabeth J. Gretsch	Community Health, Deferred	2.42
Joan R. Grimmett	Community Health	17.61
Laurie Haberman	Children & Family Services	33.49
Rebecca N. Hartman	E&TA, Deferred	12.83
James M. Johnston	Probation, Deferred	10.34
Gwendolyn J. Leffall	Board of Supervisors	24.47
William Kent Levis	Superior Court, Deferred	13.42
Steven L. MacDonell	E&TA	18.69
George Martinez	Children & Family Services	33.10
Elaine McCoy	E&TA	25.00
D.B. McCrummen	Children & Family Services	31.69
J. Wesley Merritt	County Counsel	30.58
Margie F. Morse	Child Support Services	12.01
Irma R. Murillo	Child Support Services, Deferred	23.70
Gary W. Nielsen	ITSD	27.36
Susan K. Nilmeier	Superior Court	25.24
Rebecca Padilla	Sheriff	19.26
Ramon Q. Raypon	Behavioral Health	15.77
Louise Rocha	VMC, Deferred	6.79
Gilbert A. Rodriquez	E&TA	26.21
Barnett Salzman	Behavioral Health, Deferred	9.86
Vicki J. Samarin	Administrative Office	32.47

Arthur Sanchez	Probation	28.81
Guadalupe Sandoval	E&TA	29.14
Robert L. Thompson	Public Works & Plan, Deferred	35.01
Teresita D. Umali	Behavioral Health	17.39

***6. Deferred Retirements**

RECEIVED AND FILED; APPROVED

Daniel L. Carlson	Public Works & Plan	4.51
Sharon R. Hill	Probation	9.61
Mariadela Hurtado	Community Health	8.43
Taffy D. Manners	ACTTC	8.23
Brett P. McAndrews	Sheriff	16.21
Heather L. Robinson-Daniels	Public Defender	7.33

***7. Request to Rescind Deferred Retirements**

RECEIVED AND FILED; APPROVED

Karney M. Mekhitarian	Public Defender	1.09

***8. Most recent investment returns, performance summaries and general investment information from investment managers**

RECEIVED AND FILED

***9. Public Records Requests and/or Retirement Related Information Requests from Jorge Urbina, FCERA Member; Darlene Murillo, FCERA Member; Sandra Brock, FCERA Member; Chris Rosenstock, Pacifica Equity Partners; Lucky Begum, Preqin Private Equity; Doug Hogel, Cooperative Research Services; and Enrique Medina, FCERA Member**

RECEIVED AND FILED

***10. Trustee Binder Update – FCERA Due Diligence Policy**

RECEIVED AND FILED

***11. Correspondence emailed to FCERA Members regarding information on the new Contribution Rates for the Fiscal Year 2008-2009 including the website contribution rate calculator**

RECEIVED AND FILED

***12. Update of Board of Retirement directives to FCERA Administration**

RECEIVED AND FILED

***13. Fourth Appellate District Court Opinion - Toby L. Block v. Orange County Employees' Retirement System (OCERS) regarding interpretation of the term "disability allowance" under G.C. §31838.5**

RECEIVED AND FILED

***14. Correspondence from Robert Garvey, Chairman and Chief Executive Officer of Enhanced Investment Technologies (INTECH) and Jeffrey MacLean, Wurts & Associates, regarding the resignation of Dr. Gary Maguire, Co-Chief Investment Officer**

RECEIVED AND FILED

***15. Correspondence from David J. Heiny, Artisan Partners and Jeffrey MacLean, Wurts & Associates, regarding the departure of Carlene M. Ziegler, Co-Portfolio Manager of the Artisan Small-Cap Growth strategy**

Roberto L. Peña, Retirement Administrator, stated that after further discussion and review of the departure of Carlene M. Ziegler, Co-Portfolio Manager, Jeffrey MacLean, Wurts & Associates has recommended that Artisan Partners be put on "watch".

After detailed discussions and noting that the item was not agendized as an action item, the Board directed Administration to agendize this issue for further discussion and possible action at the June 4, 2008 Regular Board Meeting.

NO ACTION TAKEN

Trustee Larson joined the Board at 8:47 AM.

***16. Correspondence from Jeffrey MacLean, Wurts & Associates, regarding the medical leave of Ken Leech, Chief Investment Officer, Western Asset Management Company**

RECEIVED AND FILED

***17. Correspondence from Angela S. Hill, Assistant Vice President State Street Securities Finance, regarding two Securities Lending cash collateral reinvestment pool positions transferred from Credit Suisse Securities Lending program during the custodial services conversion to State Street**

Trustee Souza noted that the correspondence from State Street reflects that it is for "private use" and "is not intended for public dissemination" and inquired as to why the correspondence was shared with the public.

Roberto L. Peña, Retirement Administrator, stated that, after discussions with Counsel, it was determined that the information is not confidential in that FCERA is a public entity which holds public meetings and therefore the information could be shared with the membership and public.

In response to a question from Trustee Cornacchia regarding possible further downgrades of the Commodore CDO Notes, Jeffrey MacLean, Wurts & Associates, stated that the CDO Notes are structured to remarket every six months and, in the event that the remarketing fails, AIG is required to purchase the CDO Notes pursuant to its obligations as a put counterparty.

Mr. MacLean noted that State Street did not purchase these assets for FCERA's securities lending program but rather these assets were purchased by Credit Suisse prior to moving the securities lending program to State Street as part of the custodial services transition.

Mr. Peña stated that he has requested that State Street address the Commodore CDO Notes issue in more detail and noted that the issue will be agendized for further discussion at the June 4, 2008 Regular Board Meeting.

A motion was made by Trustee Crow, seconded by Trustee Gomez, to Receive and File Consent Agenda Item 17. VOTE: Unanimous (Absent – Jolly)

RECEIVED AND FILED

***18. Approve Amended November 7, 2007 Regular Board Meeting Minutes, Item 26**

RECEIVED AND FILED; APPROVED

Discussions ensued regarding the placement of the Agenda Items. The Board discussed hearing Item 26 at this time due to members that were present and waiting to participate in the discussion. Roberto L. Peña, Retirement Administrator, commented that the members in attendance had been notified of the placement of Item 26 on the Agenda and provided with an estimated time of presentation. Trustee Souza noted that it is difficult to estimate presentation times thus more forethought into member's schedules should occur before prioritizing items on the agenda.

A motion was made by Trustee Souza, seconded by Trustee Gomez, to hear Agenda Item 26 at this time. VOTE: Yes – Cade, Cornacchia, Crow, Gomez, Larson, Souza. No – Cardenas, Hackett. Absent – Jolly. MOTION PASSED

26. Discussion and appropriate action regarding members' requests for relief from full payment of overpayments of retirement benefits they received from FCERA

Roberto L. Peña, Retirement Administrator, opened discussions by reminding the Board of recent discussions regarding updating the Overpayment/Underpayment Policy as it relates to individual overpayment errors that were discovered during the Final Compensation project.

Mr. Peña noted that FCERA Staff and Attorney Jeffrey Rieger, Reed Smith LLP, collaborated on a list/process on how to deal with current members who have requested relief from their current overpayment situations. The list/process includes:

1. Staff requests that the Board ratify staff's prior practice of extending the repayment period to twice as long as the overpayment period, when members have requested relief.

2. To compromise individual cases by deviating from the current overpayment/underpayment policy (and the practice of extending the repayment period to twice as long as the overpayment period), staff will first try to work out an agreement with the member.

   (a) If an agreement can be reached with the member, the terms of the agreement will be placed on the consent agenda at the next board meeting.
   (b) If an agreement cannot be reached with the member, staff will put its recommendation on the regular agenda. The member will then be able to present his/her arguments to the Board and the Board will determine how to best proceed, with input from staff and legal counsel.

3. Issues for staff to consider when working out agreements (and formulating recommendations to the Board when agreements cannot be reached):

   (a) How long the overpayments were made.
   (b) The total amount of the overpayments.
   (c) Whether the member was at fault (or partially at fault) for the overpayments.
   (d) Whether the member was aware (or should have been aware) that he or she was receiving overpayments.
   (e) The likelihood that the overpayments could be recovered, in full, through legal process.
   (f) The likely cost of recovering the overpayments, in full, through legal process.
   (g) The likelihood that full repayment can be recovered under the existing overpayment/underpayment policy.
   (h) The member's ability to repay and the financial burden of repayment under the existing policy, including, but not limited to:

      (i) The member's liquid assets.
      (ii) The member's non-liquid assets.
      (iii) The amount of the member's adjusted benefit before any reduction to make repayments.
      (iv) Other sources of income available to the member (for example, salary, social security, annuities, and pensions).
      (v) The income and assets of the member's spouse.

4. Staff may request from the member whatever information (including information provided in declarations under penalty of perjury) that staff deems necessary to determine and/or confirm the relevant facts under Step 3 above. Any personal information of the member that is obtained in the process shall remain confidential and will not be made public, unless the member gives express written authorization.

Discussions ensued regarding the Public Employees Retirement Law (PERL) statute 20164(b)(1), which limits the timeframe of recovery to three years, and whether it relates to FCERA. It was noted that, although the statue is not applicable to FCERA, it may offer guidance on how other systems [no CERL Systems] deal with overpayments.

Discussions, questions, and comments followed regarding the Board's fiduciary responsibilities in recovering overpayments in order to keep the Plan whole.

Trustee Crow opined that the Board is not in a position to forgive debts and noted the importance of establishing a process which provides a fair method for recovering overpayments.

Michael Cunningham, FCERA Retiree, addressed the Board supporting implementing some or all of the language from PERL statute 20164(b)(1) in the proposed processes for recovering overpayments.

A motion was made by Trustee Souza to include, as part of the recovery process, limiting the timeframe of recovery to three years as stated in the PERL statute 20164(b)(1).

Attorney Jeffrey Rieger addressed the Board's concerns regarding possible tax implications and recovery of interest on overpayments. Attorney Rieger suggested that the Board add these issues to the list of processes for consideration.

Detailed discussions ensued regarding how PERL statute 20164(b)(1) should be, if at all, applied to the overpayment processes and the implications that this statute may have on members who have or are in the process of repaying an overpayment to FCERA.

Trustee Souza withdrew the motion.

The Board directed Administration and Counsel to incorporate the following issues into the overpayment processes and to return at a later date for further discussion and consideration:

- Limit recovery period to three years - PERL statute 20164(b)(1)
- Address any tax issues
- Address any beneficiary issues

A motion was made by Trustee to Souza, seconded by Trustee Gomez, to postpone Item 26 until Administration has addressed the above issues. VOTE: Unanimous (Absent – Crow, Jolly)

RECEIVED AND FILED; APPROVED

19. Performance and Economic Summary Report presented by Henry Otto, Portfolio Manager, and Adam Spector, Managing Director, Brandywine Global Investment Management, LLC

Jeffrey MacLean, Wurts & Associates, began the presentation by noting that Brandywine Global Investment Management (Brandywine) is a Small Cap Manager hired August 21, 1995 and manages approximately $127 million for the plan. Mr. MacLean noted that performance has been poor when measured as of December 31, 2007, underperforming the benchmark by 4 basis points on a net of fee basis. Based on a five and three year period, Brandywine has underperformed 118 basis points and 287 basis points respectively. It was noted that over the last quarter Brandywine had outperformed the benchmark by 172 basis points.

Mr. MacLean stated that Brandywine attributes the poor results to a narrow market that favors strong price momentum in stocks that have relatively poor earnings characteristics. It was noted that Brandywine announced a revision to quantitative factors used to construct their portfolios which is designed to capture better excess returns.

Adam Spector, Brandywine Managing Director, gave a brief overview of the firm's characteristics and management styles and reviewed the team responsible for investment implementation.

Henry Otto, Brandywine Portfolio Manager, reviewed the long-term excess return performance versus the Russell 2000 Value and noted that the performance was interrupted by two periods [1999-2000 and 2006-2007] of sharp underperformance. The underperformance was so significant that it caused the since inception return to fall below the Russell 2000 value benchmark completely eliminating all of the gains relative to the index in other periods.

Mr. Otto reviewed the changes that will slightly modify some of the factors used to construct the portfolio which include adding a low price-to-book metric to accompany the low price-to-earnings factor already in the model. This will expand the potential universe of stocks allowed for investment. The other change adds a momentum factor to the model. Brandywine believes that this metric will help them avoid securities that continue to fall in price and selling stocks to early as prices are recovering.

Mr. Otto gave a brief overview of the outcome of a simulated test portfolio covering the period of October 1988 through June 2007 in which the changes were implemented. It was noted that the results were positive.

RECEIVED AND FILED

20. Discussion and appropriate action on probationary status for Brandywine Global Investment Management, LLC presented by Jeffrey MacLean, Wurts & Associates

Jeffrey MacLean, Wurts & Associates, opened discussions by recommending that Brandywine Global Investment Management (Brandywine) be put on probationary status for their failure to deliver excess returns over the last three and five years. The performance over the next couple quarters will be very instructive in determining if the strategy should be maintained in the Plan.

A motion was made by Trustee Larson, seconded by Trustee Souza, to Approve the recommendation to place Brandywine on probationary status. VOTE: Unanimous (Absent – Crow, Jolly)

RECEIVED AND FILED; APPROVED

21. Presentation from Ted Bradford, Senior Portfolio Manager, and Douglas Lopez, Senior Portfolio Manager, Bradford & Marzec regarding High Yield Investment product

Jeffrey MacLean, Wurts & Associates, began the presentation by noting that that Bradford & Marzec (Bradford) manages a Core Plus Fixed Income portfolio for the Plan and as part of the review of the fixed income restructuring, a decision was made to liquidate this portfolio when it is appropriate from a liquidity stand point.

Mr. MacLean noted that the presentation is for informational purposes and in response to the Board's current consideration for a possible change in the fixed income allocation.

Douglas Lopez, Bradford & Marzec Senior Portfolio Manager, gave a brief overview of the High Yield product components and characteristics. Mr. Lopez noted that High Yield is now 26% of the total U.S. corporate bond market and is a large and diverse market with solid liquidity.

Mr. Lopez reviewed the benefits of Higher Yields and noted that high income provides "cushion" against price volatility and return has averaged over 11% the last 22 years. High Yield returns exhibit low correlations versus other asset categories. Returns are more correlated to emerging markets and equities than other fixed income assets.

Mr. Lopez stated that High Yield bonds have been managed as a component of Bradford's portfolio strategy for 24 years and have been separately managed since 1988. High Yield bonds are generally regarded as one of the more risky sectors of the fixed income universe. Bradford uses a risk adjusted ratio that is a standard mathematical calculation that adjusts performance returns relative to the riskiness of those returns. It was noted that Bradford's High Yield performance has had no negative returns over the past 13 years and no below investment grade security defaults to date.

Mr. Lopez reviewed the High Yield investment philosophy and noted that Bradford identifies and captures the best value available over evolving economic and interest rate environments by:

- Recognizing changing investment themes
- Identifying ongoing viable companies to avoid default
- Determining relative value
- Implementing within a risk-controlled framework

Ted Bradford, Brandywine Senior Portfolio Manager, stated that by converting the current Core Plus Fixed Income strategy to a High Yield strategy the Plan will avoid portfolio transition costs and the time and expense of a manager search. Mr. Bradford noted that the Plan will maintain the same fee base as the Core Plus portfolio which is approximately half the costs of the proposed High Yield portfolio.

Discussions ensued regarding the upcoming Asset Liability Study and it was noted that a decision regarding converting the Core Plus Fixed Income Portfolio to a High Yield portfolio will not be made until after the results of the Asset Liability Study are presented to the Board.

RECEIVED AND FILED

22. Discussion and appropriate action on Counterparty Risk for Fixed Income Managers presented by Jeffrey MacLean, Wurts & Associates

Jeffrey MacLean, Wurts & Associate (Wurts), opened discussions by reminding the Board of its request to Wurts to inquire about the counterparty risk exposure within the fixed income portfolios. Memoranda were sent to the fixed income managers requesting a detailed list of all counterparty exposures in the portfolios, information regarding the initial due diligence process and on-going review procedures of all counterparties, and an opinion about the current status of counterparty risk given the current market conditions.

Mr. MacLean noted that Wurts cannot provide an opinion on the relative security of any of the counterparty positions within the portfolio nor can Wurts say for sure that an adverse event will never occur. It was noted that Wurts believes that the managers employed by FCERA understand the risks associates with these investments and are qualified to prudently manage these securities.

RECEIVED AND FILED

23. Discussion and appropriate action on Trust Company of the West Transition Management (post trade) analysis to the 1000 Index Growth Fund at State Street

Jeffrey MacLean, Wurts & Associates (Wurts), opened discussions by reminding the Board that transition management is a systematic, controlled process that utilizes all available sources of liquidity to minimize the total cost and risk of transitioning plan assets from one investment strategy to another as in the case of Trust Company of the West portfolio transition to the State Street Global Advisors (SSgA) Russell 1000 Growth portfolio.

Mr. MacLean noted that the transition to SSgA Russell 1000 Growth portfolio was better than expected with the total cost of 29 basis points (the difference between the target portfolio return and the actual return). SSgA was able to take 4.8% more of the portfolio in-kind and 3.3% more through their internal cross network than originally estimated. These factors led to the lower than expected explicit costs, "saving" FCERA $37,637 or 3.7 basis points over the pre-trade estimate. The opportunity costs of the transition ($221,069), which comprises the majority of the total costs, was within the one standard deviation pre-trade estimate of $244,645.

RECEIVED AND FILED

The Board discussed hearing Item 28 at this time in order to accommodate Mr. Brian Decker of Colliers Tingey who was present and ready to participate in the discussion.

A motion was made by Trustee Souza, seconded by Trustee Crow, to hear Agenda Item 28 at this time. VOTE: Unanimous (Absent – Jolly)

28. Discussion and appropriate action on Real Estate Contract with Colliers Tingey

Becky Van Wyk, Assistant Retirement Administrator, opened discussions by reminding the Board that it authorized Administration to begin contract negotiations with Colliers Tingey to act as the real estate advisor on the possible sale of the Fresno Station Business Center. Ms. Van Wyk noted that the contract includes a provision for Colliers Tingey to represent both the buyer and seller in the transaction. Colliers Tingey has indicated that eliminating this provision may hamper their ability to successfully market the property.

Roberto L. Peña, Retirement Administrator, stated that the proposed contract has been reviewed by FCERA's legal counsel and accepted by Colliers Tingey.

In response to a question from Trustee Crow regarding the commission as it relates to the firm representing both the buyer and seller, Brian Decker of Colliers Tingey noted that in the event Colliers Tingey represents both the buyer and seller the 5% commission would be split accordingly [that is, only on 5% commission would be due].

A motion was made by Trustee Crow, seconded by Trustee Larson, to Approve the Real Estate Contract with Colliers Tingey. ROLL CALL VOTE: Yes – Cade, Cardenas, Cornacchia, Crow, Gomez, Hackett, Larson. Abstain – Souza. Absent – Jolly. MOTION PASSES.

RECEIVED AND FILED; APPROVED

Trustee Souza noted that he disagrees with the sale of the property at this time and abstained from the vote.

24. Discussion and appropriate action on Undistributed Earnings and Interest Crediting Policy related items list for further discussion at the June 18, 2008 Regular Board Meeting prepared by Reed Smith LLC, The Segal Company, and FCERA Staff

Roberto L. Peña, Retirement Administrator, opened discussions by reminding the Board that at the April 16, 2008 Regular Board Meeting it requested that The Segal Company, Reed Smith, and FCERA staff develop a list of issues to be addressed in future meetings as the Board makes determinations relating to interest crediting and undistributed earnings.

Trustee Souza gave a brief overview of his interpretation of the Settlement Agreement as it relates to FCERA Retirees receiving health benefits undistributed earnings and asked if counsel reviewed the methodologies used by the prior actuary, Buck Consultants, to determine the amount of undistributed earnings reflected in the Settlement Agreement. Attorney Rieger stated that the methodologies had not been reviewed.

Discussions ensued regarding the interpretation of the Settlement Agreement and how it relates to interest crediting and undistributed earnings. It was noted that the Settlement Agreement fails to define a clear priority for distributing excess earnings.

Ron Madsen, FCERA Retiree, addressed the Board and referenced an excerpt from a letter addressed to Roberto L. Peña from County Counsel dated February 3, 2003 and gave a brief overview of his interpretation of the Settlement Agreement as it relates to the undistributed earnings and contingency reserves. Mr. Madsen stated that “starting with market earnings, going through your stabilization process to get to smoothed earnings, subtracting from that interest credited which leaves what County Counsel called surplus earnings. That gets compared to 1% of the total assets of the fund. If it is bigger then the 1% gets subtracted out. Then it’s that 1% that the law indicates should go into the contingency reserve. Once that is subtracted off, what remains is what County Counsel called excess surplus earnings. Excess surplus earnings. Two surpluses. That’s what, according to County Counsel, becomes undistributed earnings.”

Mr. Madsen requested the following:

- "Why didn't the Board follow County Counsel's 2003 recommendation regarding the use of undistributed earnings?"
- That Counsel review and interpret G.C. Section 31592.2 as it relates to the 1% contingency reserve and funding priority of the section 6, 8, and 9 benefits under the Settlement Agreement.

Detailed discussion ensued regarding the interpretation of the Settlement Agreement.

A motion was made by Trustee Crow, seconded by Trustee Larson, to Approve the list of issues for further Board discussion and action. VOTE: Unanimous (Absent – Cardenas, Jolly)

RECEIVED AND FILED; APPROVED

A motion was made by Trustee Souza, seconded by Trustee Crow, to hear Agenda Item 27 at this time. VOTE: Unanimous (Absent – Jolly)

27. Discussion and appropriate action on Claim for Damages

Attorney Jeffrey Rieger, Reed Smith LLC, opened discussions by reminding the Board of Michael Mosier's Claim for Damages as it relates to the Board's 2004 decision to recalculate retiree benefits in order to comply with a trial court ruling that the final compensation year must be calculated upon a consecutive 365-day period.

Attorney Rieger recommended that the Board deny Mr. Mosier's claim for damages based on the Court's decision.

Roger Greening, FCERA Retiree, addressed the Board on behalf of Michael Mosier regarding Mr. Mosier's complaints on the issue.

Trustee Souza stated that he opposes denying the claim in that he disagrees with the Fresno Method decision.

Trustee Crow stated that not denying the claim could expose FCERA to liability for violating the terms of the judgment.

A motion was made by Trustee Cornacchia, seconded by Trustee Crow, to deny Michael Mosier's Claim for Damages. ROLL CALL VOTE: Yes – Cade, Cardenas, Cornacchia, Crow, Larson. No – Gomez, Souza. Absent – Hackett, Jolly. MOTION PASSED.

RECEIVED AND FILED; APPROVED

Trustee Larson departed at 1:10 PM.

25. Discussion and appropriate action on draft Investment Consultant Request for Proposal (RFP) presented by Roberto L. Peña, Retirement Administrator

Roberto L. Peña, Retirement Administrator, opened discussions by stating that the Request for Proposal (RFP) was developed in a collaborative process between Cortex Applied Research and FCERA staff. Mr. Peña noted that the RFP calls for investment consulting services that include the following:

- Investment Policy and Asset/Liabilities Studies
- Investment Manager Oversight, Search and Selection
- Performance Evaluation and Reporting
- Client Service and Education
- Review, Search, and Selection for Other Investment-Related issues

Upon approval, Administration will advertise the RFP in the May 26th addition of *Pensions & Investments* newspaper with a deadline to submit proposals of July 7th.

A motion was made by Trustee Souza, seconded by Trustee Crow, to Approve the Investment Consultant Request for Proposal as presented. VOTE: Unanimous (Absent – Jolly, Larson)

RECEIVED AND FILED; APPROVED

Trustee Crow departed at 1:15 PM.

26. Discussion and appropriate action regarding members' requests for relief from full payment of overpayments of retirement benefits they received from FCERA

Please see discussion following Consent Agenda Item 18.

27. Discussion and appropriate action on Claim for Damages

Please see discussion following Agenda Item 24.

28. Discussion and appropriate action on Real Estate Contract with Colliers Tingey

Please see discussion following Agenda Item 23.

29. Discussion and appropriate action on renewal of Fiduciary Liability Insurance policy for Fresno County Employees' Retirement Association from April 30, 2008 to May 31, 2009

Becky Van Wyk, Assistant Retirement Administrator, opened discussions by stating that Administration received a quote for the primary Fiduciary Liability Insurance for the period April 30, 2008 through May 31, 2008. Because the Board must approve the acquisition of fiduciary insurance, the coverage has been extended to 13 months to accommodate the Board's meeting schedule. The quote represents coverage of $10,000,000 with retention (deductible) of $100,000.

Ms. Van Wyk noted that AIG, the current provider for primary coverage, provided a quote for primary fiduciary insurance coverage. The coverage is the same as last year, $10,000,000, and reflects an increase of $516 to the premium of $114,343 charged last year, for a total current premium of $114,859. It was noted that the premium excludes the cost for Waivers of Recourse for the trustees and Administrator.

FCERA is prohibited from purchasing the Waivers of Recourse for the trustees and Administrator under Government Code §7511. For the last four years, FCERA has requested the Plan Sponsors to pay the $25 per person premium to provide Waivers of Recourse for the trustees and Administrator. If the Plan Sponsors decline to pay the premium, each Board member wishing to obtain a Waiver of Recourse would need to provide a personal check for the $25 premium.

Ms. Van Wyk stated that neither the Primary nor Excess fiduciary insurance carrier will cover any claims arising out of the current final compensation litigation. It was noted that the premium for primary fiduciary insurance does not include coverage for Terrorism Risk Insurance. Terrorism Risk Insurance coverage is available on the primary insurance for an additional premium of $3,446. The Board has not previously purchased Terrorism Risk Insurance.

Ms. Van Wyk recommended that the Board affirm the binding of primary fiduciary insurance coverage with AIG with a $10,000,000 limit and decline Terrorism Risk Insurance on the primary insurance. Ms. Van Wyk further recommended that the Board direct the Administrator to request the County of Fresno to pay the premium required to obtain Waivers of Recourse for each of the trustees and the Administrator.

We did not request FCERA's insurance broker to seek additional bids from other companies as there would be both a time and cost element involved. You may recall the insurance broker did market our policy in 2006 to five insurance companies and only received quotes from our current primary fiduciary insurance provider, AIG, and our current excess primary fiduciary insurance provider, Chubb.

A motion was made by Trustee Souza, seconded by Trustee Gomez, to Approve the renewal of Fiduciary Liability Insurance policy for Fresno County Employees' Retirement Association from April 30, 2008 to May 31, 2009. VOTE: Unanimous (Absent – Crow, Jolly Larson)

RECEIVED AND FILED; APPROVED

30. Discussion and appropriate action on renewal of Excess Fiduciary Insurance policy for Fresno County Employees' Retirement Association from April 30, 2008 to April 30, 2009

Becky Van Wyk, Assistant Retirement Administrator, opened discussions by stating that Administration received a quote for the Excess Fiduciary Liability Insurance for the period April 30, 2008 through April 30, 2009 with $5,000,000 coverage and no retention (deductible).

Ms. Van Wyk noted that Federal Insurance Company (Chubb), is our current provider for excess fiduciary insurance. The coverage is the same as last year, $5,000,000 in excess of $10,000,000 and for a premium of $39,632. This is an increase of $1,307 (3.4%) over the prior premium of $38,325.

Ms. Van Wyk stated that Terrorism Risk Insurance coverage is available under the excess fiduciary insurance policy without any additional cost to the Plan. Terrorism Risk Insurance coverage can not be eliminated from the excess fiduciary insurance coverage as the policy is a "group" policy.

Roberto L. Peña, Retirement Administrator noted that in order to prevent a lapse in coverage, it was necessary for FCERA Administration to bind coverage on April 30, 2008 subject to approval of the Board.

Ms. Van Wyk recommended that the Board ratify Administration's decision to bind fiduciary insurance coverage with Federal Insurance Company (Chubb) with a $5,000,000 limit.

A motion was made by Trustee Souza, seconded by Trustee Gomez, to Ratify Administration's decision to bind fiduciary insurance coverage with Federal Insurance Company (Chubb). VOTE: Unanimous (Absent – Crow, Jolly, Larson)

RECEIVED AND FILED; APPROVED

Robert Landen, Deputy County Counsel, requested that the Board consider adding a discussion item to the Agenda regarding the upcoming Budget Committee Meeting on May 9, 2008. Administration was made aware that a quorum is not available for the meeting therefore, the Board must discuss optional dates. Mr. Landen noted that a unanimous vote is needed to add a discussion item to the Agenda.

A motion was made by Trustee Souza, seconded by Trustee Gomez, to Add a discussion item regarding the Budget Committee meeting schedule. VOTE: Unanimous (Absent – Crow, Jolly, Larson)

Roberto L. Peña, Retirement Administrator, stated that a quorum of the Budget Committee is not available to hear the Salaries & Benefits portion of the budget hearings on May 9, 2008 and offered the following options:

- Request Balbina Ormonde (alternate for Vicki Crow) be present at the Salaries & Benefits presentation on May 9, 2008 meeting, or
- Schedule both the Salaries & Benefits and Services & Supplies presentations for May 23, 2008

The Board directed Administration to tentatively schedule the Budget Committee Meeting for May 23, 2008 pending Committee member responses.

Roberto L. Peña, Retirement Administrator, pulled Closed Session Agenda Item 31.A.1., as there was nothing to discuss.

31. Closed Session:

A. Conference with Legal Counsel – Actual Litigation - pursuant to G.C. §54956.9(a)

1. *Fresno County Employees' Retirement Association v. Public Pension Professionals*

B. Disability Retirement Applications – Personnel Exception (G.C. §54957):

1. Rosemary Rojas

32. Report from Closed Session

32.A.1. Pulled.
32.B.1. Nothing to Report.

33. Report from FCERA Administration

Roberto L. Peña, Retirement Administrator, reported on the following items:

1. Administration received an informative newsletter regarding Board Governance. Mr. Peña requested that the Board review the material and notify Administration if they wish to receive the newsletter on a bi-monthly basis.
2. A book titled *Boards That Make a Difference.* Mr. Peña made the book available to the Board Members and noted that Administration could purchase copies in the event a Board Member desires a copy.

34. Report from County Counsel

Robert Landen, Deputy County Counsel, had nothing to report.

35. Board Member Announcements or Reports

Trustee Souza noted that he had received several phone calls from Retirees stating that they are receiving their benefit payment direct deposit notices a few days after receiving their direct deposit. Trustee Souza noted that in the past the notices were received a few days prior to the direct deposit and inquired if the issue could be due to the transition to State Street Bank.

Becky Van Wyk, Assistant Retirement Administrator, noted that she will research the issue and report the findings to the Board at the next Regular Meeting.

There being no further business, the meeting adjourned at 1:42 PM.

Roberto L. Peña
Secretary to the Board