**BOARD OF RETIREMENT**
**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

**June 18, 2008**

**Trustees Present:**

| | |
|---|---|
| Michael Cardenas | Nick Cornacchia |
| Eulalio Gomez | James E. Hackett |
| Steven J. Jolly | John Souza |

**Trustees Absent:**

Alan Cade, Jr.
Vicki Crow
Phil Larson

**Others Present:**

Ronald S. Frye, Alternate Trustee
Attorney Jeffrey Rieger, Reed Smith LLP
Paul Angelo, The Segal Company
Andy Yeung, The Segal Company
Les Jorgensen, Fresno County Retired Employees' Association
Kevin Smith, SEIU Local 521
Michael Cunningham, FCERA Member
Ron Madsen, FCERA Member
Nancy Jenner, Attorney for North Central Fire Protection District
Chief Randy Bruegman, City of Fresno Fire Department
Robert Landen, Deputy County Counsel
Susan Coberly, Deputy County Counsel
Roberto L. Peña, Retirement Administrator
Becky Van Wyk, Assistant Retirement Administrator
Elizabeth Avalos, Administrative Secretary

**1. Call to Order**

Chair Jolly called the meeting to order at 8:41 AM.

**2. Pledge of Allegiance**

Recited.

**3. Public Presentations**

Roberto L. Peña, Retirement Administrator, announced that Susan Coberly, Deputy County Counsel, is replacing Robert Landen. Mr. Peña and the Board welcomed her to the FCERA team.

**Consent Agenda/Opportunity for Public Comment**

**A motion was made by Trustee Souza, seconded by Trustee Gomez, to Approve Consent Agenda Items 4-11. VOTE: Unanimous**

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

RECEIVED AND FILED; APPROVED

***5. Approve revised May 7, 2008 Retirement Board Regular Meeting Minutes, Item 24**

RECEIVED AND FILED; APPROVED

***6. Summary of monthly statistics from the Retirement Association Office on buybacks, retirement benefit estimates, public service, age adjustments, final compensation calculations, and disability retirement applications for May 2008**

RECEIVED AND FILED

***7. Public Records Requests and/or Retirement Related Information Requests from Nancy A. Jenner, McCormick Kabot Jenner & Lew; Meredith Flynn, Alameda County Employees' Retirement Association (ACERA); and Randy Johnson, National Association of Investment Companies**

RECEIVED AND FILED

***8. Correspondence from Sulema H. Peterson, SACRS Administrator, regarding SACRS CEO Review & Evaluation Ad Hoc Committee appointments**

RECEIVED AND FILED

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

RECEIVED AND FILED

***10. Approve renewal of Property Liability Insurance for the FCERA Administration Building**

RECEIVED AND FILED; APPROVED

***11. Approve renewal of Property Liability Insurance for the Fresno Station Business Center**

RECEIVED AND FILED; APPROVED

**12. Approve recommended review process of Investment Counsel Services Request for Proposal**

Roberto L. Peña, Retirement Administrator, noted that Item 12 was intended to be a Consent Item, therefore discussion was not necessary. The Board agreed.

**A motion was made by Trustee Hackett, seconded by Trustee Souza, to Approve Item 12. VOTE: Unanimous (Absent – Cade, Crow, Larson)**

RECEIVED AND FILED; APPROVED

**13. Discussion and appropriate action on Undistributed Earnings Policy presented by Paul Angelo, Senior Vice President and Actuary, and Andy Yeung, Vice President and Associate Actuary, of The Segal Company; and Attorney Jeffrey Rieger, Reed Smith LLP**

Paul Angelo, The Segal Company, opened discussions by reviewing the basic interest crediting process and the mechanics of the undistributed earnings reserve as follows:

<u>Basic Interest Crediting Process</u>

- Determine “Available Earnings” for the period
- Determine earnings needed for interest crediting
- If available earnings are enough then:
    - Apportion interest to reserves
    - Restore the contingency reserve
    - Move the balance to the undistributed earnings reserve (UER)

Mr. Angelo noted that the Excess Earnings Policy determines the use of the UER.

<u>Mechanics: Undistributed Earnings Reserve</u>

- There is a two step process for spending Excess Earnings:
    - First, “siphon” Excess Earnings into a “non-valuation reserve” which is excluded from the valuation assets and prevents a decrease in the Unfunded Actuarial Accrued Liability (UAAL) contribution rate
    - Later, “spend” the Excess Earnings. There is no sudden impact on contribution rates and it is a form of forced budgeting.

Mr. Angelo noted that the purpose of the presentation is to educate the Board and Public and review the basic mechanics of measuring excess earnings. Whether the Settlement Agreement poses any restrictions to the Board’s decisions is not relevant at this time in the discussion in that they are legal questions to be addressed by FCERA’s Counsel.

Mr. Angelo outlined FCERA's current Interest Crediting Policy as follows:

- Available earnings: Return on Actuarial Value
    - plus Contingency Reserve and Undistributed Earnings Reserve

- Credit Member Reserves at the rate of the retiree COLA
    - limited to 3% per year

- Credit total Valuation Reserves (including Member Reserves) at valuation rate

- Credit Non-Valuation Reserves at valuation rate
    - Supplemental COLA and Retiree Health Insurance

- If available earnings is insufficient:
    - Contingency Reserve may become negative, but the Contingency Reserve plus the Undistributed Earnings and the Non-Valuation Reserves must be more than 1% of Market Value of Assets

- If available earnings is sufficient:
    - Restore the Contingency Reserve to the 3% level
    - Any remaining available earnings go to the Undistributed Excess Earnings Reserve

Mr. Angelo noted that Undistributed Earnings have not been available since June 30, 2002 and reviewed FCERA's prior Excess Earnings Distributions as follows:

- Priority #1 – Current year employer and member contribution relief (Normal Cost and current UAAL cost) for:
    - Section 8 benefits (enhanced retirement benefits for members retired before January 1, 2001
    - Section 6 benefits (enhanced retirement benefits for members retiring on or after January 1, 2001
    - Section 9 benefits (all retirees, $3 per month per year of service, future increase tied to Undistributed Earnings Reserve

- Priority #2 – Reduce unfunded liabilities ("amortized" employer contribution relief) for:
    - Section 8 benefits
    - Section 9 benefits
    - Section 6 benefits

- Priority #3 – Create new retiree health benefits under Section 9 of the Settlement Agreement

- Priority #4 – Other uses at the Board's discretion
    - Supplemental COLA and Retiree Health Insurance

Detailed discussions ensued regarding the vested Section 9 retiree health benefit and whether any newly created benefits under Section 9 will be considered a vested benefit as well. A determination was not made at this time.

Discussions, questions, and comments followed regarding how the Settlement Agreement may impact the “priority” order. It was noted that the Settlement Agreement is unclear as to the process in which undistributed earnings are allocated to the various reserves.

Mr. Angelo reviewed the June 30, 2002 Undistributed Earnings allocation as follows:

- Priority #1 – Current year contributions
  - Section 8: $1.3 million
  - Section 6: $19.7 million
  - Section 9: $1.2 million

- Priority #2 – Reduce unfunded liabilities:
  - Section 8: $19.9 million
  - Section 9: $11.6 million
  - Section 6: $17.2 million

Mr. Angelo outlined open questions to be addressed as follows:

- Level of the Contingency Reserve

- Tracking, and possibly restoring, prior interest crediting shortfalls (Contra Account)
  - If so, what level of priority?

- Priority of Undistributed Earnings distributions
  - Settlement Agreement vs. other uses
  - Priorities among Settlement Agreement uses

Mr. Angelo stated that the Contingency Reserve provides further cushion against future earnings shortfalls and is a form of “smoothing” short term earnings fluctuations. The current FCERA policy is 3% of Market Value (1% statutory plus 2% additional), which is consistent with equity investing. It was noted that earnings are not excess until the Contingency Reserve is restored.

Discussions, questions, and comments followed regarding potentially tracking/restoring prior interest crediting shortfalls using a “Contra Account” to measure excess earnings on a cumulative basis instead of a “negative” Contingency Reserve. Mr. Angelo briefly explained the Contra Account concept and it was noted that most 1937 Act systems either do not track or do not require shortfall restoration.

Detailed discussions ensued regarding the earnings shortfall tracking concept and how it relates to the Contingency Reserve. It was noted that any shortfalls are restored as a priority using the Contingency Reserve.

Discussions, questions, and comments followed regarding the impact that the level of the Contingency Reserve may have on non-statutory benefits.

Attorney Jeffrey Rieger, Reed Smith LLP, posed the following open questions for discussion:

- What are undistributed earnings under the Settlement Agreement and how does the Board determine how much, if any, exist?
    - Must the Board use all the same procedures that were in place at the time of the Settlement Agreement?
    - How much discretion does the Board have on actuarial issues that may impact the amount of undistributed earnings?

- How are undistributed earnings used?
    - Must the Board use them for Settlement Agreement benefits before anything else that the law otherwise allows?
    - What is the priority for using them under the Settlement Agreement?

Attorney Rieger stated that the language used in the Settlement Agreement is ambiguous and noted that if intent does not appear in the text of the agreement, it may not be supplied from other sources.

Attorney Rieger noted that the phrase “undistributed earnings” does not appear in the California Employees Retirement Law (CERL) but “excess earnings” is described as “earnings of the retirement fund during any year in excess of the total interest credited to contributions and reserves during such year shall remain in the fund as a reserve against deficiencies in interest earnings in other years losses on investments and other contingencies.”

Government Code §31592.2 and other statutes provide the Board with discretion to use funds (“may transfer”) for certain purposes “when such surplus [described in G.C. §31592] exceed 1% of the total assets of the retirement system…”

Detailed discussions ensued regarding how the laws affect ordinary Board discretion in interpreting the Settlement Agreement. It was noted that the Board must interpret the Settlement Agreement with lawful meaning.

Attorney Rieger opined that the Settlement Agreement does not constrain the Board’s constitutional and statutory discretion over actuarial assumptions and methodologies and noted that the Board should exercise its discretion and work with its actuary to establish assumptions and methodologies as a whole. The Board may consider the impact its actuarial assumptions and methodologies will have on whether and how much undistributed earnings exist.

Detailed discussions ensued regarding the actuarial assumptions and methodologies used at the time of the Settlement Agreement and how that may potentially impact the Board's current discretion and decisions. It was noted that the current Board has a fiduciary responsibility to work with the actuary to ensure that the Plan is actuarially sound.

The Board must make many actuarial decisions in the ordinary course of administering the system which could impact the existence and amount of undistributed earnings. For example, the Board used the assumed rate of return of 8.42% at the time of the settlement. The assumed rate of return has since been changed to 8.00% based on experience. The Contingency Reserve would be subject to change based on experience as well.

Attorney Rieger stated that the most reasonable interpretation of the Settlement Agreement is that undistributed earnings must be used to pay for settlement benefits before they are used for other statutory purposes. But, the Board can exercise its discretion to act consistent with the terms of the Settlement Agreement as it construes those terms.

Attorney Rieger briefly outlined the most reasonable interpretation of the Settlement Agreement as follows:

- If there are unfunded liabilities for any of the settlement benefits, those unfunded liabilities have first priority

- If there are more than $25 million in undistributed earnings, after step one, then additional retiree benefits should be determined accordingly.

- After steps one and two, the employer and employee normal cost of benefits may be paid with undistributed earnings

Detailed discussions ensued regarding the priorities of the interpretation. Roberto L. Peña, Retirement Administrator, questioned the reasoning behind funding/granting "new benefits" under Section 9 before funding the normal costs of the existing benefit of the employer and employee.

Chair Jolly requested that Attorney Rieger "drill down" Section 9 of the Settlement Agreement in order to gain additional insight.

Discussions, questions, and comments followed regarding the intent of the Settlement Agreement. Trustee Souza stated that it was initially thought that the $288 million in excess earnings would fund the enhanced benefit for 20 to 30 years. Mr. Angelo noted that all of the Settlement Benefits are now being paid by the employer and current employees.

Due to the length of the discussion, the Board directed Administration to work with the actuary and counsel in providing a draft policy for further discussion as well as an analysis of the impact of a 1% Contingency Reserve vs. 3%. It was noted that a Special Meeting may be scheduled to ensure adequate discussion time.

Trustee Cardenas departed at 11:50 AM.

Discussions, questions, and comments followed regarding the priority of funding the Settlement benefits. It was noted that the Settlement Agreement is unclear as to the priority that benefits will be funded with undistributed earnings.

Ron Madsen, FCERA Retiree, addressed the Board regarding the Contingency Reserve level as it relates to funding the Section 9 benefits. It was noted that Counsel's interpretation of the funding priority is based solely on the language of the Settlement Agreement. Attorney Rieger noted that he will "drill down" the interpretation at a later meeting.

Mr. Peña stated that a Special Meeting will be scheduled for further discussion as directed by the Board.

RECEIVED AND FILED

**14. Discussion and appropriate action on North Central Fire Protection District's transition to the City of Fresno presented by Paul Angelo, Senior Vice President and Actuary, and Andy Yeung, Vice President and Associate Actuary, of The Segal Company; and Attorney Jeffrey Rieger, Reed Smith LLP**

Attorney Jeffrey Rieger, Reed Smith LLP, opened discussions by reminding the Board that North Central Fire Protection District (District) entered into an agreement with the City of Fresno (City) relating to fire protection services. As part of the process, essentially all of the District's employees terminated their employment with District and became employees of the City and elected deferred retirements from FCERA and established reciprocity with the City retirement system. The District continues to exist with substantial assets and a continuing source of income.

In connection with the District's business change, Reed Smith has advised the Board regarding its authority to ensure that the District pays its share of the system's unfunded actuarial accrued liability (UAAL), a liability generated by the projected retirement allowances of the District's former employees.

Because FCERA is a cost sharing multiple employer plan that uses uniform employer contribution rates, an employer's payments towards the UAAL are usually determined based only on that employer's payroll, and not on specific assets and liabilities associated with its employees' service. If, however, there is an extraordinary event that causes a significant distortion in the relationship between an employer's payroll-based contributions and the portion of the UAAL associated with its employees' service, the Board has the authority to adjust the method of collecting payments towards the UAAL from the employer.

Attorney Rieger stated that if the District's liability can be re-valued, based on experience, the District's liability is $5,117,000 as of July 1, 2007. If the District's liability cannot be re-valued in the future based on experience, the District's liability is $22,840,000 as of July 1, 2007.

Attorney Rieger recommends that the Board adopt the $5,117,000 figure with 8% interest and re-value at each triennial experience study and demand payment of 5,526,360 by June 30, 2008.

Paul Angelo, The Segal Company, stated that the $5,117,000 calculation is based on a periodic "re-evaluation" and the $22,840,000 is based on a market basis assuming no periodic "re-evaluation" (walk-away).

Detailed discussions ensued regarding the methodologies used in determining the calculations. It was noted that the methodology used to determine the District's funding obligation (in the current calculation) differs from that used by Public Pension Professionals (PPP) in 2005 to estimate the District's obligation. The primary difference between the methodologies is that PPP's method to calculate the District's assets as to multiply FCERA's valuation value of assets times the ratio of the District's actuarial accrued liability to FCERA's accrued liability which created an additional calculation to re-determine the UAAL contribution rate for the remaining employers. Under Segal's method, there is no change in the other employers' UAAL contribution rates.

Nancy Jenner, Attorney for NCFPD, addressed the Board regarding the history of the NCFPD's transition to the City and questioned the legitimacy of the calculations. Attorney Jenner noted that in only three years, the liability figures provided by FCERA and its professionals have fluctuated by over $25 million. NCFPD has serious concerns regarding the validity of the information it has been provided. Ms. Jenner stated that if the Board is willing to meet and negotiate a more equitable settlement, the District is willing to do so. If not, the District intends to vigorously defend itself against any such claim.

Mr. Angelo stated that Segal determined the present value of future benefits as of June 30, 2007 under the valuation basis using the new actuarial assumptions adopted by the Board for the June 30, 2007 valuation. For the June 30, 2007, the annual interest rate assumption was lowered from 8.16% to 8.00%; and for Safety Members the post-retirement mortality table was adjusted to anticipate about a two-year improvement in the life expectancies. As a result of both the new assumptions and higher liabilities due to actual retirements between July 1, 2006 and June 30, 2007, there is an increase in the funding obligation of $2,507,000 under the "with re-valuation" approach, from $2,610,000 calculated in the June 1, 2007 study to $5,117,000 calculated in the current study. Approximately $1.9 million of the increase is due to the change in the assumptions.

Mr. Angelo also reminded the Board that the unfunded liability calculated by PPP was less than that calculated by Segal because it appears that PPP was relying on the liabilities and financial results as of the June 30, 2004 valuation. The funded ratio that compares the actuarial accrued liabilities to the assets available to fund those liabilities decreased from 98% in the June 30, 2004 valuation to 82.9% in the June 30, 2007 valuation.

Attorney Rieger reviewed the two alternative calculations by Segal and noted that the first calculates the District portion of the UAAL at $5,117,000 plus 8% interest accruing from July 1, 2007. The scenario proposes that FCERA will "true-up" the District's liability in future years based on its triennial experience studies, with any changes in UAAL attributable to the District being taken into consideration at that time. The other approach assumes that the District will make a one time payment to FCERA and will thereafter never owe any further sums. This cost to the District of this "walk-away" scenario is calculated to be $22,840,000 plus interest.

Attorney Rieger stated that the first alternative is the most prudent approach under the circumstances for three reasons as follows:

- The $5,117,000 figure is calculated based on the same assumptions that FCERA's actuary uses to determine the retirement system's UAAL in the ordinary course of the system's administration, whereas the $22,840,000 figure is calculated on a unique "market" concept which has never been used by the system.
- The District's public financial statements indicate that it currently has net assets of less than $11 million. Thus, is not realistic to expect that the District could pay $22,840,000 for a final resolution of its future liabilities.
- By allowing for future re-valuations, the Board will be able to more accurately assess the long term costs of the District's continuing obligations.

**A motion was made by Trustee Hackett, seconded by Chair Jolly, to adopt the methodology that assumes the ability to have future valuations based on the triennial experience and places the current District obligation at $5,117,000 together with 8% interest on that amount from July 1, 2007 to the date of the payment and to demand payment from the District of the current UAAL obligation on or before June 30, 2008. Thus, demanding $5,526,360 from the District to be paid on or before June 30, 2008.**

Chief Randy Bruegman, City of Fresno Fire Department, stated that the Board of Directors of the NCFPD does not want to not meet its obligation to FCERA and expressed his concern over the different figures calculated over a three-year period.

Detailed discussions ensued regarding the methodologies used in determining the District's UAAL figures.

**VOTE:** Yes – Cornacchia, Gomez, Hackett, Jolly. No – Souza. Absent – Cade, Cardenas, Crow, Larson.

RECEIVED AND FILED; APPROVED

**15. Discussion and appropriate action on potential amendments to Policies and Procedures Governing the Overpayment or Underpayment of Retirement Benefits presented by Jeffrey Rieger, Reed Smith, LLP**

Attorney Jeffrey Rieger, Reed Smith, opened discussions by reminding the Board of its recent discussions to potentially amend the policies and procedures governing the overpayment/underpayment process of retirement benefits to include procedures for dealing with large overpayments that were made over the course of many years.

Mr. Rieger offered the following recommendations:

Recommendation #1: To date, as overpayments have been identified by staff, members have been subject to the current overpayment policy, which requires members to repay the full amounts, but without interest. Members have been allowed to repay through reductions to their benefits over a period of time that is equal to the period of time during which the overpayments occurred. Further, when the repayment is a hardship for members, staff has allowed members to extend the repayment period by up to as much as twice as long as the time during which the overpayments occurred. The Board has been informed of this process during several open meetings in the past, and Reed Smith recommends that the Board formally ratify staff's past agreements with members, under those terms.

Recommendation #2: Based on: (1) the Board's duty to preserve fund assets: (2) the Board's fiduciary duties to the members of the system, who may suffer substantial financial hardship if full repayment is required; (3) the IRS guidelines in Revenue Procedure 2006-27; (4) general trust and fiduciary principles; and (5) the persuasive guidance in the "Correction of Errors and Omissions" statutes governing CalPERS, Reed Smith believes that under a prudent exercise of its discretion the Board could authorize staff to enter into agreements with the impacted members that provided the following:

- The Board will collect from the member only the amount of overpayments that the member received during the last three years of overpayments;
- The member may repay the amount either in a lump sum, or through reductions to his/her retirement allowance over a period not to exceed six years;
- Interest at the Board's current 8% assumed rate of return (compounded annually) will be applied to all amounts overpaid from the date of each overpayment to the date of repayment. As an alternative, the Board could determine that the "appropriate" interest to charge members who receive overpayments through no fault of their own would be commensurate with returns the member would receive in a typical savings account. For example the Board could use the 3% rate (compounded annually) that is credited to member accounts in FCERA.

If the Board decides to authorize such agreements, it should be based on the Board's determination that the agreements will constitute "reasonable efforts" to collect the overpayments and "appropriate interest" under the circumstances.

Discussions, questions, and comments followed regarding the language "reasonable efforts" and "appropriate interest". Attorney Rieger noted that, in most relevant part, the IRS states that the system must take "reasonable steps to have the Overpayment (with appropriate interest) returned by the recipient to the plan and reduce the future benefit payments, if any, due to the employee.

Recommendation #3: The Board may adopt the recommendation of staff as follows:

1. Staff requests 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 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 which will determine how best to proceed with input from staff and 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.

   (i) Possible adverse tax consequences to the member.
   (j) Whether the overpayments were made to a beneficiary (as opposed to the retired employee), who may have been less likely to know they were receiving overpayments.

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.

At the request of Trustee Souza, Attorney Rieger clarified that if the Board were to adopt Recommendation #2, interest would be applied to only the last three years of overpayments and repayment period, if any.

Michael Cunningham, FCERA Retiree, addressed the Board on behalf of Roger Greening, FCERA Retiree, who was unable to attend the meeting. Mr. Cunningham read a portion of a statement prepared by Mr. Greening as follows:

"My concern is over the proposal to charge retirees interest on the overpayments that were inadvertently sent to them, especially to a widow of a former County employee. While it is fact that the Retirement Board's investments garner interest at the current rate of 8% and possibly either higher or lower in the past, the overpayments made to retirees or their beneficiaries are usually used for living expenses and not normally put into a savings account. Even if they were to place them in a savings account, when has any savings account in the recent past paid 8% on those savings? It seems that we, all of us in the FCERA are again attempting to make money on the backs of retirees, when we should be locating the culprits who through act or omission allowed this to occur in the first place."

Chair Jolly noted that using the assumed rate of return, currently 8%, is consistent with past practice. Trustee Cornacchia agreed. Trustee Gomez expressed his desire to collect interest at 3%.

**A motion was made by Trustee Gomez, seconded by Trustee Souza, to adopt Recommendation #2 using a fixed 3% interest rate. VOTE: Yes – Gomez, Hackett, Souza. No – Cornacchia, Jolly. Absent – Cade, Cardenas, Crow, Larson.**

RECEIVED AND FILED; APPROVED

**16. Discussion and appropriate action on FCERA Unaudited Comparative Financial Statements for the six month period ended December 31, 2007**

Roberto L. Peña, Retirement Administrator, opened discussions by noting that, in accordance with the existing Interest Crediting Policy, the contingency balance was increased to 2.1% of net assets. Mr. Peña reminded the Board of recent discussions regarding the level in which the contingency reserve will be credited and noted that the current Interest Crediting Policy calls for a 3% contingency reserve.

Mr. Peña requested that the Board allow Administration to continue with the current policy until a final determination on the contingency reserve level is decided.

**A motion was made by Chair Jolly, seconded Trustee Hackett, to Approve the Unaudited Comparative Financial Statements for the six month periods ended June 30, 2007 and December 31, 2007 using the current Interest Crediting Policy. VOTE: Unanimous (Absent – Cade, Cardenas, Crow, Larson)**

RECEIVED AND FILED; APPROVED

Roberto L. Peña, Retirement Administrator, pulled Closed Session Agenda Item 17.A.1. as there was nothing to discuss.

**17.** 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*

**18. Report from Closed Session**

Closed Session was not held.

**19. Report from FCERA Administration**

Becky Van Wyk, Assistant Retirement Administrator, and Roberto L. Peña, Retirement Administrator, reported on the following items:

1. A small electrical fire that occurred during an after hours power outage. It was noted that a member of the staff was present to address the issue. Ms. Van Wyk stated that Administration will continue to research and correct the problem.

   The Board directed Administration to work with the power company to obtain an opinion as to why the electrical fire occurred.

2. The delivery cost of the Board Packets. Mr. Peña noted that the cost for Saturday delivery is somewhat higher than a weekday delivery and inquired as to the Trustee's delivery preference.

   It was noted that Trustees Hackett and Souza and Alternate Trustee Frye prefer to continue with the Saturday delivery. Trustees Cornacchia and Jolly agreed to have their packets delivered on the Monday prior to a meeting. Trustee Cardenas was not present to state a preference.

   The packets for Trustees Cade, Crow, Gomez, and Larson are hand delivered to their County offices the Friday prior to a meeting.

**20. Report from County Counsel**

Nothing to report.

**21. Board Member Announcements or Reports**

Chair Jolly congratulated Trustee Cade for recently completing the “Principles of Management” course sponsored by CALAPRS and encouraged the Trustees to attend in the future.

There being no further business, the meeting adjourned at 1:46 PM.

________________________________________________

Roberto L. Peña
Secretary to the Board