

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

June 1, 2011

Trustees Present:

Alan Cade, Jr.
Franz Criego
Steven Jolly

Michael Cardenas
Vicki Crow
John Souza

Nick Cornacchia
Eulalio Gomez

Trustees Absent:

Phil Larson

Others Present:

Regina Wheeler, Alternate Trustee
Jeffrey MacLean, Wurts & Associates
Kim Jantz, Retirement Coordinator
Kristi Jacobie, Retirement Coordinator
Susan Coberly, Senior Deputy County Counsel
Roberto L. Peña, Retirement Administrator
Kelly Prinz, Retirement Benefits Manager
Elizabeth Avalos, Administrative Secretary
Elizabeth Cervantes, Office Assistant

1. Call to Order

Chair Cade called the meeting to order at 8:36 AM.

2. Pledge of Allegiance

Recited.

3. Public Presentations

None.

Consent Agenda/Opportunity for Public Comment

Trustee Cornacchia pulled Consent Item 17 for discussion.

Chair Cade pulled Consent Item 18 for discussion.

A motion was made by Trustee Crow, seconded by Vice Chair Gomez, to Approve Consent Items 4-16 and 19-22. VOTE: Unanimous (Absent – Cardenas, Larson)

***4. Approve the May 4, 2011 Retirement Board Regular Meeting Minutes and May 18, 2011 Budget Committee Meeting Minutes**

RECEIVED AND FILED; APPROVED

- *5. Summary of monthly statistics from the Retirement Association Office on service credit purchases, retirement benefit estimates, public service, age adjustments, final compensation calculations, and disability retirement applications for April 2011**

RECEIVED AND FILED

- *6. Retirement**

RECEIVED AND FILED; APPROVED

Gerald M. Allen	Agriculture, Deferred	15.26
Henry Brewer	Probation	19.60
Anna M. Casey	Sheriff	22.50
John Friend	Sheriff	21.19
Richard J. Garcia, Sr.	Dept of Social Services	14.33
Elizabeth A. Jones	Dept of Social Services	29.21
Richard E. Killian	ACTTC, Deferred	15.28
Anh V. Mai	Behavioral Health, Deferred	11.84
Joanne C. Olivera	Dept of Social Services	12.11
Herbert T. Richardson	Public Works & Planning	28.24
Frances Gantong-Ruiz	Sheriff, Deferred	10.01
Vida P. Steele	Probation	33.72
Emelita Tayco	Assessor-Recorder	17.59
Daniel Thompson	Sheriff	37.01

- *7. Disability Retirement**

RECEIVED AND FILED; APPROVED

Joanne L. Guirola	Dept of Social Services	19.33
James Greenwood	Sheriff	2.47

- *8. Deferred Retirement**

RECEIVED AND FILED; APPROVED

Guy V. Gadd	Behavioral Health	8.39
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- *9. Request to Rescind Deferred Retirement**

RECEIVED AND FILED; APPROVED

Paul H. Garcia	Child Support Services	21.58
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- *10. Public Records Requests and/or Retirement Related Correspondence from Christopher Smith, The Financial Times Ltd; Louis Pope, iiSearches; Dana Levy Germain, Cazenave & Co Inc; Elizabeth Grasseti, EBMUD; Jerry Flores, County of Fresno; Dylan Revotas, Knightsbridge; Jakema Lewis, Investment Management Mandate Pipeline; Catherine Ajaero, Capital IQ; Lesley Tabernilla, Thomson Reuters; Gene Freeman, IPREO; Peter Koitsopoulos, CEM Benchmarking; Jun Payoyo, SEIU Local 521; and Jeff McMurdo, Ralph Andersen & Associates**

RECEIVED AND FILED

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

RECEIVED AND FILED

***12. Educational Reading Materials**

RECEIVED AND FILED

- April 18, 2011 Pension & Investments article – *IRS decision due on hybrid plan*
- April 18, 2011 Pension & investments article – *Kentucky board targets greater transparency*
- April 21, 2011 The Wall Street Journal article – *Middle Ground in the Public Pension Fight?*
- April 21, 2011 Asset International article – *Following Questions Over Blurred Roles, SDCERA's Acting CIO Departs*
- April 21, 2011 PlanSponsor article – *Public Pensions in Recovery*
- April 25, 2011 Daily Finance article – *Why Young Workers Want Good Old-Fashioned Pension*
- April 25, 2011 NCPERS article – *Survey shows public pensions recovering and adequately funded*
- April 25, 2011 The New York Times article – *Public Pensions, Once Off Limits, Face Budget Cuts*
- April 26, 2011 Reuters article – *U.S. states face growing pension gaps*
- April 29, 2011 PlanSponsor article – *OK Pension Commission Recommends Nixing Unfunded COLAs*
- May 1, 2011 Asset International article – *In Latest Public Pension Exodus, Chief Investment Officer of CT Scheme Quits*
- May 2, 2011 PlanSponsor article – *Public Employee Retirement Plans and the Myth of the Risk-Free Rate*
- May 3, 2011 Asset International article – *Industry Observers: Compensation Imbalance Between Pension CIOs and Asset Managers Is 'Absurd'*
- May 3, 2011 PlanSponsor article – *The 401(k) Myth*
- May 4, 2011 Top 1000 Funds article – *Wurts warns on risk chasing*
- May 4, 2011 Asset International article – *Report Echoes aiCIO Survey, Urging Investors to Go Global*
- May 4, 2011 Asset International article – *PIMPCO's Gross Urges Investors to 'Revolt' Against Government, buy EM Debt*
- May 5, 2011 Asset International article – *Custodians Fight Back Against Securities Lending 'Disintermediation'*
- May 5, 2011 PlanSponsor article – *SURVEY SAYS: Which Would Your Workforce Most Prefer – DB or DC?*
- May 5, 2011 PlanSponsor article – *Fair-value Measure Truer Picture of Public Pension Costs*
- May 6, 2011 PlanSponsor article – *Groups Urge Legislators not to Disrupt Public Pension Oversight*
- May 6, 2011 PlanSponsor article – *Non-Profit Proposes CA Public Retirement System Revamp*

- May 6, 2011 The Press Enterprise – SAN BERNARDINO COUNTY: Judge orders release of pension records
- May 8 2011 Asset International article – *CBO: Change Public Pension Accounting to Fair-Value Method*
- May 9, 2011 Ventura County Star article – *Judge holds of on releasing names of top-paid county retirees*
- May 11, 2011 Top 1000 Funds article – *San Francisco stays faithful to equities*
- May 11, 2011 Top 1000 Funds article – *California public pension funds face cost-cuts*
- May 11, 2011 PlanSponsor article – *IMHO: Out of Proportion*
- May 12, 2011 Asset International article – *State Street Encounters Heightened Scrutiny Over FX Transitions With SEC Probe*
- May 12, 2011 The Wall Street Journal article – *The Galleon Verdict: What It Means for You*
- May 12, 2011 PlanSponsor article – *CalPERS Responds to Pension Reform Proposal*
- May 12, 2011 PlanSponsor article – *New Labor Contracts Cut State CalPERS Rate Again*
- May 14, 2011 The Fresno Bee article – *San Jose mayor: City must declare fiscal emergency*
- May 14, 2011 PlanSponsor article – *Tale of two pensions: A city manager and a high school history teacher*
- May 16, 2011 Asset International article – *CalSTRS' CIO Ailman: Public Pensions Suffer From 'Outdated Model'*
- May 16, 2011 Asset International article – *With US At Debt Ceiling, Geithner Leans on Pensions*
- May 16, 2011 Los Angeles Times article – *Counties may be forced to reveal workers' pension payments*
- May 17, 2011 Market Watch article – *Why I won't invest in hedge funds*
- May 18, 2011 Top 1000 Funds article – *Defining the game is two sides of same coin*
- May 23, 2011 Asset International article – *BNY Mellon Counters Accusations That It Cheated Pensions Over Forex*
- May 24, 2011 Asset International article – *SDCERA Whistleblower: Outside Consultant Breached Risk Limits*
- April 2011 Government Finance Review article – *Alternative Retirement Plan Designs*
- Spring 2011 PERSist (NCPERS) newsletter

***13. Report from Roberto L. Peña, Retirement Administrator, on attendance at the SACRS Spring Conference 2011**

RECEIVED AND FILED

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

RECEIVED AND FILED

***15. FCERA Cash Flow position as of April 2011**

RECEIVED AND FILED

- *16. Annual letter State Street informing FCERA of State Street's requirement to notify retirees of the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1983**

RECEIVED AND FILED

- *17. Sentinel Real Estate Fund Liquidation Update from Wurts & Associates**

At the request of Trustee Cornacchia, Jeffrey MacLean, Wurts & Associates, commented on the Board's March 2011 decision to make an additional commitment to INVESCO in the diversified core real estate fund and to liquidate the apartment-focused Sentinel Real Estate Fund. In addition, Mr. MacLean gave a brief overview of a complaint against Sentinel alleging breach of contract regarding their redemption process. It was noted that the complaint has little impact on FCERA.

A motion was made by Trustee Crow, seconded by Vice Chair Gomez, to Accept Consent Item 17 as presented. VOTE: Unanimous (Absent – Cardenas, Larson)

RECEIVED AND FILED

- *18. Court of Appeals Ruling in favor of the Sacramento Bee and the First Amendment Coalition regarding the Sacramento County Employees' Retirement System's case as to whether names and pension amounts must be disclosed**

Chair Cade commented on the Court of Appeals ruling that member names and pension amounts must be disclosed when a request is made for such information under the Public Requests Act.

A motion was made by Vice Chair Gomez, seconded by Trustee Crow, to Accept Consent Item 18 as presented. VOTE: Unanimous (Absent – Cardenas, Larson)

RECEIVED AND FILED

- *19. Request from Trustee Criego to attend the 22nd Annual Pension and Financial Services Conference June 13-15, 2011 in Los Angeles, CA and to receive a travel advance in the amount of \$500.00 for hotel accommodations**

RECEIVED AND FILED; APPROVED

- *20. Request by FCERA Administration to write off stale dated claims for reimbursement from estates for overpaid benefits in the amount of \$ 22,933.80**

RECEIVED AND FILED; APPROVED

- *21. Request by FCERA Administration to revert money owed in the amount of \$53,530.23 to member's/beneficiary's estates to the employer reserves**

RECEIVED AND FILED; APPROVED

- *22. Revised Investment Policy Statement prepared by Wurts & Associates**

RECEIVED AND FILED; APPROVED

23. Presentation of the March 31, 2011 Investment Performance Review presented by Jeffrey MacLean, Wurts & Associates

Jeffrey MacLean, Wurts & Associates, opened discussions with an overview of the current economic environment and its impact on the investment markets. He further reviewed the Plan's various asset classes and the individual managers within the asset classes noting any significant over or under performance over the three and five year periods.

It was noted that the Plan's market value as of March 31, 2011 is approximately \$3.1 billion.

A motion was by Trustee Crow, seconded by Trustee Souza, to Accept Item 23 as presented. VOTE: Unanimous (Absent – Larson)

RECEIVED AND FILED

24. Presentation of the March 31, 2011 Guideline Compliance Report presented by Jeffrey MacLean, Wurts & Associates

Jeffrey MacLean, Wurts & Associates, had no violations to report.

A motion was by Trustee Crow, seconded by Vice Chair Gomez, to Accept Item 24 as presented. VOTE: Unanimous (Absent – Larson)

RECEIVED AND FILED

25. Discussion and appropriate action on the 2011-2012 Administrative Budget presented by Roberto L. Peña, Retirement Administrator

Roberto L. Peña, Retirement Administrator, opened discussions by reminding the Board that the Budget Committee received and adopted two presentations of the FY 2011-2012 budget proposal, the *Salaries & Benefits* section and the *Services & Supplies* section, on May 18, 2011.

Mr. Peña noted that the proposed budget is FCERA Administration's attempt to estimate the resources required to meet FCERA's obligations given the Board's goals and objectives for the pension plan.

The proposed budget is consistent with the following general goals:

- 1) Continue implementing the business projects that resulted from the Strategic Planning initiative with emphasis on the Information Technology initiative
- 2) Retain and develop talent through career tracks and merit recognition
- 3) Implement operational efficiencies on retirement processes to better serve our membership
- 4) Keep up with challenges created by the dynamic retirement environment and the current economic and financial environment.

Mr. Peña announced that he was requesting the removal of \$10,000 from the Services and Supplies section of the budget that was for the purchase of iPads for the Trustees.

The proposed budget appropriation for FY 2011-12 of \$4,754,493, which includes \$2,228,614 for *Salaries & Benefits* and \$2,525,879 for *Services & Supplies*, amounts to 13.93 basis points of total plan assets as of December 31, 2010 and is \$780,174 more than the total current fiscal year budget appropriation of \$3,974,319 (19.6% increase). However, Administration believes that a review of the difference between the projected expenditures (i.e., estimated costs in the current year) and the proposed budget (i.e., FCERA's proposed budget for the upcoming fiscal year) is more germane than a budget-to-budget comparison. Under this approach, the proposed budget for FY 2011-12 is \$958,673 more than the projected expenditures for the current year of \$3,795,820 (25.3% increase).

For *Salaries & Benefits* this difference amounts to \$34,105 which is predominately due to salary decreases proposed by the County offset by benefit increases in the rates for retirement and health insurance.

For *Services & Supplies* the difference amounts to \$924,568, predominately from the anticipated costs to continue the implementation of the IT Roadmap business project called for by the FCERA Strategic Plan. Mr. Peña noted that in the upcoming fiscal year, FCERA will continue working on the replacement of the pension administration system which will be an intensive, multi-year process.

Mr. Peña stated that after discussions with staff he had decided that eliminating the iPads would show compassion for the salary reductions included in the budget. The Board discussed the purchase of iPads at length and directed Mr. Peña to retain the \$10,000 but that the purchase should not go forward until additional research was performed that confirmed that the efficiencies expected to result from their purchase would exceed the cost of the purchase.

At this time, the Board heard from FCERA Staff, Retirement Coordinators Kristi Jacobie and Kim Jantz, regarding their displeasure with the salary decreases proposed by the County and Administration's request for \$10,000 for the purchase of iPads for use by the Board. Detailed discussions ensued regarding the proposed budget with the Board giving direction for future discussion items as follows:

- A comparison of the industry standard for legal fees
- Board stipends as they relate to conference attendance
- A legal discussion of the Board of Retirement's authority as it relates to FCERA employees

Mr. Peña noted that Government Code Sections 31580.2 and 31580.3 allow retirement systems to exceed the 18 basis points maximum administrative budget in any year the administrative expenses include expenditures for software, hardware, and computer technology consulting services in support of that software or hardware. In such years, the maximum administrative budget is extended to the greater of the following:

- (1) The sum of 18 basis points of the total assets of the retirement system plus one million dollars.

- (2) Twenty-three basis points of the total assets of the retirement system.
- (3) Eighteen basis points of total assets of the retirement system plus \$1 million.

In addition, Mr. Peña noted that while FCERA's budget for fiscal year 2011-12 remains considerably under the 18 basis points maximum, Administration intends to use the options afforded by the code section above in the future for the costs associated with the implementation of the IT Roadmap business project.

Mr. Peña recommended adoption of the proposed budget as presented to the Board.

A motion was made by Trustee Crow, seconded by Trustee Jolly to Approve the 2011-12 FY Budget as presented. VOTE: Unanimous (Absent – Larson)

RECEIVED AND FILED; APPROVED

Roberto L. Peña, Retirement Administrator, pulled Closed Session Items 26.A.1. and 2. as there was nothing to discuss.

26. Closed Session:

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

- 1. *Geraldine Chisom, et al. v. Board of Retirement, etc., et al., Fresno County Superior Court Case No. 10 CECG 02372*
- 2. *Fresno County Employees' Retirement Association v. Countrywide Financial Corporation, et al., United States District Court Central District of California Case No. CV11-0811-PA-SHX*
- 3. Stephanie Mallen, Individually, and et al. v. Alphatec Holdings Inc., et al., United States District Court Southern District of California Case No. 3:10-CV-1673-BEN-JMA

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

- 1. Dennis Weibert

27. Report from Closed Session

26.A.1. Pulled.

26.A.2. Pulled.

26.A.3. Nothing to Report.

26.B.1. Dennis Weibert – Decision – To direct the Administrator to notify the applicant that the Service-Connected Disability application will be denied unless the applicant requests a hearing in accordance with the Policy Re Administrative Proceedings and Appeals to the Board. **M – Crow. S – Gomez. VOTE: Unanimous (Absent – Larson)**

28. Report from FCERA Administration

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

1. A Disability Hearing before the Board is scheduled for June 8, 2011 at 1:00 PM in the Board Chambers.

29. Report from County Counsel

Susan Coberly, Senior Deputy County Counsel, had nothing to report.

30. Board Member Announcements or Reports

The Board Members had nothing to report.

There being no further business the meeting adjourned at 11:38 AM.

Roberto L. Peña
Secretary to the Board