BOARDS OF RETIREMENT
FRESNO COUNTY EMPLOYEES’ RETIREMENT ASSOCIATION

April 4, 2012

Trustees Present:

Marion Austin     Laura P. Basua     Dr. Rod Coburn, III    Vicki Crow
Eulalio Gomez    Steve Jolly        Phil Larson             John Souza

Trustees Absent:

Franz Criego

Others Present:

Regina Wheeler, Alternate Trustee
Jeffrey MacLean, Wurts & Associates
Susan Coberly, Senior Deputy County Counsel
Becky Van Wyk, Assistant Retirement Coordinator
Elizabeth Avalos, Administrative Secretary

1. Call to Order

Chair Gomez called the meeting to order at 8:34 AM.

2. Pledge of Allegiance

Recited.

3. Presentation of Plaques to Michael Cardenas and Nick Cornacchia for their years of service to the Board of Retirement of the Fresno County Employees’ Retirement Association.

The Board thanked Michael Cardenas and Nick Cornacchia for their service to the Board of Retirement.

4. Public Presentations

None.

Consent Agenda/Opportunity for Public Comment

Items 5, 10, 11, and 13 were pulled for discussion as follows:

Trustee Austin ~ Item 10
Trustee Coburn ~ Items 5 and 13
Becky Van Wyk, Assistant Retirement Administrator ~ Item 11

A motion was made by Trustee Larson, seconded by Trustee Crow to approve Items 6-9, 12 and 13 as presented. VOTE: Unanimous (Absent – Criego)
*5. Approve the March 21, 2012 Retirement Board Regular Meeting Minutes

Trustee Coburn inquired as to whether Administration had received a response from John Navarrette, County Administrative Officer, outlining the concerns that the County would like addressed regarding the recruitment of Retirement Administrator (Item 15 of the March 21, 2012 Regular Meeting). Becky Van Wyk, Assistant Retirement Administrator, noted that Administration had not yet received a response from the County. However, Administration will keep the Board apprised.

In response to a concern raised by Trustee Coburn regarding the accuracy of the language reflected in the motion made by Trustee Criego on Item 16 (Recruitment of Retirement Administrator) of the March 21, Regular Meeting, Administration reviewed the audio and determined that the language was accurate.

A motion was made by Trustee Crow, seconded by Chair Gomez, to approve Item 5 as presented. VOTE: Unanimous (Absent – Criego)

RECEIVED AND FILED; APPROVED

*6. Retirements

RECEIVED AND FILED; APPROVED

- Arthur D. Ahman, Public Works & Planning, 13.86
- Michael Alvarez, Dept of Social Services, 16.88
- Bruce F. Anderson, Sheriff, 12.03
- Mo A. Ansari, Public Works & Planning, 21.13
- Sharon Ball, Sheriff, 19.66
- Jacqueline S. Bell, Child Support Services, 10.46
- George John Bertsch, III, Sheriff, 24.84
- Sandra Bode, Superior Court, 22.80
- Mary A. Bork, Public Health, Deferred, 2.54
- Linda Brock, District Attorney, 23.56
- Patrick W. Caples, District Attorney, 27.93
- Eleanor Contreras, Dept of Social Services, 33.26
- Anne J. Corbett, Dept of Social Services, 21.58
- Neil T. Croskey, Behavioral Health, 8.09
- Claude D. Dechow, Public Works & Planning, 25.78
- Dorothy T. de Joseph, Behavioral Health, 16.90
- Cynthia De La Cruz, Dept of Social Services, 23.49
- Mary C. De Leon, Dept of Social Services, 23.04
- Diane R. Dunkel, Probation, 12.80
- Jeannette F. Durham, Dept of Social Services, 16.40
- Cathy Farmen, Library, Deferred, 5.90
- Jose G. Flores, Sheriff, 32.07
- Burton J. Francis, District Attorney, 23.84
- Alicia Garcia, Dept of Social Services, 26.46
- Lynn Gorman, Public Works & Planning, 32.36
- Julie M. Grant, Public Health, 14.01
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*7. Deferred Retirements

RECEIVED AND FILED; APPROVED

Robert Bash  Child Support Services  7.53
Alina M. Morales  Dept of Social Services  5.56
Michael A. Ponte  Public Works & Planning  11.41
Jacqueline Reyna  District Attorney  11.24
Maria I. Sanchez  Dept of Social Services  5.17

*8. Request to Rescind Deferred Retirement

RECEIVED AND FILED; APPROVED

Susan A. Guerrero  Library  2.13

*9. Public Records Requests and/or Retirement Related Correspondence from Kurt Schneider, CCCERA; Jakema Lewis, Investment Management Mandate Pipeline; Kevin Smith, SEIU Local 521; and Hank Kim, NCPERS

RECEIVED AND FILED

*10. Communications – Economic Downturn Spurs Efforts to Address Costs and Sustainability

Trustee Austin encouraged the Board Members to become familiar with the proposed changes issued by the Governmental Accounting Standards Board (GASB) and the Actuarial Standards Board (ASB) noted on page 47 of the communication.

A motion was made by Trustee Jolly, seconded by Trustee Basua, to accept Item 10 as presented. VOTE: Unanimous (Absent – Criego)

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

Becky Van Wyk, Assistant Retirement Administrator, updated the Board on the Earn Code and UAAL directives stating that each are in process. Ms. Van Wyk noted that Beth Bandy, County Personnel, expects their research on the Earn Code issue to be completed and submitted to their legal counsel in late 2012. There is no estimate as to when the legal review will be completed. Ms. Van Wyk also noted that there has been no response from the Actuaries on the UAAL directive.

In response to a question from Ms. Van Wyk regarding whether to remove the two issues from the directives log, the Board directed Administration to not remove the issues at this time.

At the request of Trustee Coburn, the Board directed Administration to agendize a discussion on the impact on FCERA on the Courts departure from the County. Administration agreed.
A motion was made by Trustee Gomez, seconded by Trustee Souza, to accept Item 11 as presented. VOTE: Unanimous (Absent – Criego)

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

RECEIVED AND FILED

*13. FCERA Cash Flow position as of February 2012

In response to a question from Trustee Coburn regarding whether Administration provides an Operating Profit and Loss Statement to the Board, Becky Van Wyk, Assistant Retirement Administrator, stated that Administration provides the Board quarterly budget status and investment reports as well as the annual CAFR instead of a profit and loss statement.

A motion was made by Trustee Coburn, seconded by Trustee Souza, to accept Item 13 as presented. VOTE: Unanimous (Absent – Criego)

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14. Discussion and appropriate action on Equity Rebalance recommendation

Jeffrey MacLean, Wurts & Associates (Wurts), opened discussions by stating that, as a result of the strong performance in equity markets over the last several months, the equity allocation within the FCERA is currently overweight relative to the target allocations. Thus, Wurts recommends rebalancing out of domestic large cap and international equity into core plus fixed income to align the Plan’s risk/return profile with the Policy target.

Mr. MacLean recommended allocating the funds to BlackRock because the strategy is the most conservative of the three core plus fixed income managers with approximately 33% of the portfolio allocated to securities that are either indirectly or directly backed by the U.S. Treasury. The Board engaged in detailed discussions regarding the core plus fixed income managers which, in addition to BlackRock, include Western Asset Management and Loomis Sayles.

A motion was made by Trustee Jolly, seconded by Larson, to approve the recommendation as presented and to work with staff in a prudent manner. VOTE: Unanimous (Absent – Criego)

RECEIVED AND FILED; APPROVED

15. Discussion and appropriate action on Real Estate Program review

Jeffrey MacLean, Wurts & Associates, opened discussions with a brief update on FCERA’s Real Estate program noting that the commitment level is in line with the target and the strategy mix provides a good risk/return exposure.

At the request of Trustee Coburn, Mr. MacLean commented on a recent New York Times article “Pension Plan Funds Making Riskier Bets Struggle to Keep Up”.

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A motion was made by Trustee Coburn, seconded by Trustee Larson, to accept Item 15 as presented. VOTE: Unanimous (Absent – Criego)

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16. Discussion and appropriate action on Systematic Financial Management Performance Restatement

Jeffrey MacLean, Wurts & Associates, opened discussions by stating that Systematic Financial Management (Systematic) recently became aware that the large FCERA-directed withdrawal caused reported performance to differ from the composite for the third quarter 2011. However, the difference in performance is corrected when the performance calculation is performed as described within FCERA’s Investment Management Agreement (IMA) with Systematic.

In addition, Mr. MacLean noted that Systematic’s performance software utilized the Beginning of Day assumption. However, using the End of Day assumption is explicitly stated in the FCERA’s IMA with Systematic. Based on the stated methodology, the return for the third quarter 2011 and since inception improved materially. While Systematic did not qualify for a performance-based fee for the first year, the performance restatement impacts the performance fee calculation going forward in Systematic’s favors. General discussion ensued regarding the differences of Beginning of Day and End of Day assumptions.

NO ACTION TAKEN

17. Discussion and appropriate action on Private Equity review and Oaktree Opportunities Fund IX recommendation

Jeffrey MacLean, Wurts & Associates (Wurts), opened discussions with a review of the Private Equity program’s commitment level and strategy diversification and, based on remaining capacity, recommended a $15 million commitment to the Oaktree Opportunities Fund IX to gain additional distressed debt exposure.

Mr. MacLean informed the Board that Wurts has vetted a number of distressed debt funds over the last four years with Oaktree being highly recognized as a leading distressed debt and high yield bond specialist with an intense orientation toward managing risk. The firm pits its depth of human capital, thorough research, and acute attention to risk as competitive advantages.

Realizing the timing issues that sometimes arise with investment opportunities, Trustee Jolly requested that Wurts submit additional information on the organization such as returns on partnerships 1-8, to ensure that the Board fully exercises their fiduciary responsibility before making a final decision. Mr. MacLean agreed to submit additional information for the Board consideration at the May 2, 2012 Regular meeting.

A motion was made by Trustee Jolly, seconded by Trustee Souza, to authorize Wurts to begin negotiation with the understanding that a final decision will not be made until a review of the requested information. VOTE: Unanimous (Absent – Criego)

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18. Discussion and appropriate action on recruitment of Retirement Administrator (any discussion regarding compensation)

Trustee Souza gave a brief update on the March 29, 2012 Personnel Committee meeting.

RECEIVED AND FILED

Items 19.A.1. and 2. and 19.B. were pulled as there was nothing to discuss.

19. Closed Session:

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

1. Communication with securities litigation counsel, Blair Nicholas of Bernstein Litowitz Berger & Grossmann LLP, regarding Toyota Securities Litigation and deposition of Fresno CERA

2. Fresno County Employees’ Retirement Association v. Countrywide Financial Corporation, et al., United States District Court for the Central District of California Case No. CV-11-0811-MRP (MANx)

B. Public Employee Appointment – pursuant to G.C. §54957(b) (Retirement Administrator)

20. Report from Closed Session

All Items were pulled from discussion as there was nothing to discuss.

21. Report from FCERA Administration

Administration had nothing to report.

22. Report from County Counsel

County Counsel had nothing to report.

23. Board Member Announcements or Reports

The Board Members had nothing to report.

There being no further business, the meeting adjourned at 9:58 AM.

_____________________________________________________

Eulalio Gomez
Chair to the Board

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