

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

"Our mission is to administer the retirement benefits for the members and beneficiaries in a prudent, accurate, timely and cost-effective manner, while administering fund assets in a manner that achieves investment and funding objectives within prudent levels of risk"

December 2, 2015

REGULAR MEETING AGENDA MINUTES

Trustees Present:

Laura P. Basua	Greg Baxter	Vicki Crow	Paul Dictos, CPA
Robert Dowell	Eulalio Gomez	Steven Jolly	

Trustees Absent:

Dr. Rod Coburn, III
Mary Ann Rogozinski, Alternate
Vacant Seat

Staff and Service Providers Present:

Donald Kendig, Retirement Administrator
Becky Van Wyk, Assistant Retirement Administrator
Elizabeth Avalos, Executive Assistant
Conor Hinds, Supervising Accountant
Jeffrey Rieger, Reed Smith, via tele-conference
Michael Kamell, Verus
Dana Walker, Kalmar
Jeff Stroble, Kalmar
Scott Garrett, Systematic
Ron Mushock, Systematic
Craig Armstrong, Baker Manock & Jensen
Ken Price, Baker Manock & Jensen

Members of the Public that Addressed the Board:

Robert Skowronski, FCERA Member

1. Call to Order

Chair Jolly called the meeting to order at 8:31 AM. It was noted that, in addition to the current vacancy, Trustees Baxter and Coburn and Alternate Trustee Rogozinski were absent.

2. Pledge of Allegiance

Recited.

3. Public Comment

Robert Skowronski, FCERA Member, addressed the Board regarding: CalPERS is lowering its assumed rate of return and given FCERA's performance compared to CalPERS, the Board might want to consider lowering FCERA's and consider comparing FCERA's return to that of our peers.

Trustee Baxter joined the Board at 8:34 AM.

Donald Kendig, Retirement Administrator, noted the following corrections to the agenda/items as follows:

- Item 4.E. should be dated December 2, 2015
- Item 5.A. should be identified on the Agenda as "Regular" meeting minutes
- Item 5.B. should reflect that the meeting adjourned in the PM
- Item 7.B. should be identified as Item 7.A.

Lastly, Mr. Kendig requested that Item 6.B. be heard prior to 6.A. due to timing issues. The Chair agreed.

4. Consent Agenda

- A. Approval of Retirements for November 2015 – **RECEIVE AND FILE; APPROVED**
- B. Activity Report for October 2015 – **RECEIVED AND FILED**
- C. Public Records Requests and/or Retirement Related Correspondence – **RECEIVED AND FILED**
- D. FCERA Cash Flow Position as of October 2015 – **RECEIVED AND FILED**
- E. Educational Attendance Report – **RECEIVED AND FILED**
- F. Loomis Trade Error – **RECEIVED AND FILED**
- G. Official Canvass of the Fresno County Board of Retirement General Member Election – **RECEIVED AND FILED**
- H. Travel Request from Retirement Administrator Donald Kendig to attend the Opal financial Group's Public Funds Summit on January 13-15, 2016 in Scottsdale, AZ – **RECEIVE AND FILE; APPROVED**
- I. Travel Request from Trustee Eulalio Gomez and Retirement Administrator Donald Kendig to attend the Council of Institutional Investors Spring Conference on March 21-23, 2016 in Washington DC – **RECEIVE AND FILE; APPROVED**
- J. Proposed Logistics for the 2016 Annual Educational Off-site Meeting – **RECEIVED AND FILED; APPROVED**

A motion was made by Trustee Gomez, seconded by Trustee Basua, to approve/accept Consent Items 4.A. – 4.G. VOTE: Unanimous (Absent – Coburn)

In regards to Item 4.C., Chair Jolly directed Staff to include the name of the person submitting articles as well as including the source of the article for reference. Staff concurred.

5. Minutes

- A. Consideration of the November 4, 2015 Retirement Board Annual Off-site Meeting Minutes

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

- B. Consideration of the November 4, 2015 Retirement Board Personnel Committee Meeting Minutes

A motion was made by Trustee Gomez, seconded by Trustee Dowell, to approve Item 5.B. with noted corrections (see Public Comment). VOTE: Unanimous (Absent – Coburn)

6. Discussion

- B. Small, Medium (SMID) Cap Update

The Board heard presentations from Jeff Stroble and Dana Walker of Kalmar Investments and Scott Garret and Ron Mushock of Systematic Financial Management with each reviewing their firm's philosophies, organizational structures, and investment strategies.

Each commented on the current market environment and its impact on the Plan's investment returns as well as addressing various comments and questions from the Board in regard to the Plan's overall investment performance and market environment going forward.

In addition, the Board heard from its investment consultant Michael Kamell of Verus.

NO ACTION TAKEN

- A. Quarterly Investment Reports

Research Report – Michael Kamell of Verus, gave a brief overview of the current economic environment and its impact on the investment markets. In addition, Mr. Kamell commented on and gave a brief summary on the global and capital markets.

The Board engaged in a general discussion regarding the current market environment and the market assumptions going forward.

Investment Performance - Mr. Kamell reviewed the Plan's various asset classes and the individual managers within the asset classes noting the main drivers of performance and any significant over or under performance over the three and five year periods.

The Board engaged in detailed discussions regarding the current market environment and overall performance of the fund and directed Staff to work with Verus in reviewing Kalmar's fee schedule.

Guideline Compliance - Mr. Kamell noted that there were no reportable breaches by any of the managers. The Loomis trade error was mentioned. Mr. Kamell noted that it was not a breach of compliance. It was an internal variance and was a subjective decision to correct demonstrating integrity and accountability and that their internal policies and controls are in place and working.

The Board heard Item 6.D. at this time.

- D. Consideration of Ad Hoc Board Counsel Review Committee Recommendation to retain the services of Baker Manock & Jensen and authorization of staff to negotiate and execute an attorney services agreement

The Board heard from Craig Armstrong and Ken Price attorneys with Baker Manock & Jensen who gave a brief overview of the firms profile and background, standards of conduct, and consulting team.

Becky Van Wyk, Assistant Retirement Administrator, commented on the on-site due diligence visit noting that Trustees Basua and Gomez were in attendance along with Donald Kendig, Retirement Administrator. It was noted that the firm is strong with a deep bench of experienced attorneys. The firm has shepherded other public agencies become independent of the County, has a strong work history with the High Speed Rail Authority, and worked with Reed Smith in the past.

Discussions ensued clearing concerns of potential conflicts of interest. The Board discussed wanting a base contract and optional service provisions for consideration.

A motion was made by Trustee Crow, seconded by Trustee Baxter, to select Baker Manock & Jensen as Board Legal Services and direct the Retirement Administrator to negotiate a contract for Board approval. VOTE: Unanimous (Absent – Coburn)

- C. Consideration of Request for Proposal for Professional Audit Services

Conor Hinds, Supervising Accountant, gave a brief summary of the draft RFP for Professional Audit Services for the years ended June 30, 2016, 2017, 2018 and the recommended timeline for the Boards consideration. If approved, the RFP will be posted on the FCERA website on December 3, 2015 with a closing date of January 6, 2016.

Staff recommended that the Audit Committee, Retirement Administrator, Assistant Retirement Administrator, and select Accounting Unit staff review the responses to the RFP, and that two finalists be invited to present to the Board on February 17, 2016.

A motion was made by Trustee Baxter, seconded by Trustee Basua, to approve the release of the RFP and to approve the review of responses as recommended. VOTE: Unanimous (Absent – Coburn)

- E. Consideration of High Speed Rail Update and Request for Architectural Services Authorization

Donald Kendig, Retirement Administrator, gave an update on the High Speed Rail Authority (HSRA) progress noting that the HSRA is willing to consider a third appraisal based on actual replacement, or constructions, costs but is unwilling to conduct one based purely on hypothetical circumstances.

Mr. Kendig recommended and requested authorization to secure an architect and to begin drafting plans for a building that satisfies FCERA's building criteria, which will be used for HSRA negotiations, Colliers International land search parameters, and strategic planning.

A motion was made by Trustee Crow, seconded by Trustee Dictos, to authorize Staff to secure an architect for the creation of architectural plans for a replacement office building.

Upon further discussion, the motion was amended include direction as noted below.

Trustee Crow amended the motion, seconded by Trustee Dictos, to direct Staff to identify architectural firms to provide architectural plans for both a new facility and expansion of the current office, and to come back with a recommended firm and proposal. VOTE: Unanimous (Absent – Coburn)

7. Closed Session:

- A. Discussion and appropriate action regarding the Annual Review of the Retirement Administrator – Personnel Exception – pursuant to G.C. §54957

8. Oral Reports:

- A. Report out of Closed Session

7.A. No reportable action. The Board directed Staff to agendaize an open session item at the December 16, 2015 Regular Board meeting to discuss a potential salary adjustment to the Retirement Administrator position.

Trustee Crow departed during the Closed Session Item discussion.

- B. FCERA Administration

1. The Board executed an investment agreement with Warburg Pincus for \$34 million.
2. Staff received 9 responses to the Specialty Hedge Fund RFP. Mr. Kendig is in the process of reviewing the responses with the expectation of presenting the findings to the Board at the December 16, 2015 Regular meeting.
3. The Trustee sponsored Staff Holiday Breakfast is scheduled for December 15, 2015 at 8:00 AM.
4. The Audit Committee is scheduled to meet on December 9, 2015 to discuss the CAFR and PAFR.
5. Donna Lor will join the FCERA Team as an Account Clerk on December 7, 2015.

- C. Board Counsel

None.

- D. Committee Reports

None.

E. Board Members

Trustee Dowell reminded the Board and Staff of the REFCO Christmas Luncheon on December 10, 2015.

There being no further business, the meeting adjourned at 11:47 PM.

Donald C. Kendig, CPA
Secretary to the Board