

## FRESNO COUNTY BOARD OF RETIREMENT

January 5, 2005

A regular meeting of the Fresno County Board of Retirement was held in the FCERA Boardroom at 1111 H Street, Fresno, CA.

### Trustees Present:

Michael Cardenas	A. Papaleo
Vicki Crow	Stephanie Savrnock
Vera Dominguez	John Souza
Steven Jolly	Michael Thobe
Phil Larson	

### Others Present:

Jeffrey MacLean, Wurts & Associates  
Shelly Heier, Wurts & Associates  
Thanaphat Srisukwatana, FCERA  
Barbara Grunwald, Deputy County Counsel  
Roberto L. Peña, Retirement Administrator  
Becky Van Wyk, Chief Accountant  
Autumn L. Henson, Administrative Secretary  
Signup Sheet Attached

### 1. Call to Order

Chair Souza called the meeting to order at 9:10 AM.

### 2. Presentation of Plaque to Bill Casarez for his 15 years of service as Trustee for the Board of Retirement of the Fresno County Employees' Retirement Association

Bill Casarez, former Trustee was not available to attend today's meeting. Roberto L. Peña, Retirement Administrator stated that he would see that Mr. Casarez received his plaque thanking him for his 15 years of service to the Board of Retirement.

### 3. Introduction and welcome to Trustee, Stephanie Savrnock, newly elected by the General Members, Alternate Trustee Tom Russell, newly elected by the Retired Members and Trustee John Souza, re-elected for a third term by the Retired Members

Roberto L. Peña, Retirement Administrator introduced and welcomed to the Board, Trustee Stephanie Savrnock. Trustee Savrnock has worked for the County for 12 years in the DA's office.

An e-mail from Alternate Trustee elect Tom Russell was given to the Trustees in which he declined to serve as he will be moving to Oregon. Mr. Peña noted that Mr. Jerry Swan was contacted asking him if he would serve as Alternate Trustee for the next few months until a new Retiree Alternate was elected. Mr. Swan politely declined.

A new election for the Retiree Alternate will be run as soon as possible but not before Mr. Peña meets with Victor Salazar, County Clerk as Mr. Salazar has some recommendations and changes that will probably be made to the elections procedures. After meeting with Mr. Salazar, the results of the meeting will be brought to the Board for approval and then to the Board of Supervisors for their approval.

Chair Souza stated that he hopes the time frame will be extended for when the ballots are sent out and that the verbiage be changed in reference to the "Election Day". The statement confused many retirees making them think that they needed to vote and return their ballot on this day. Trustee Savrnoch stated that this verbiage caused some confusion in the DA's office as well. Mr. Peña stated that the recommended changes will be brought to the Board and they will have an opportunity to make further changes before forwarding to the Board of Supervisors.

Trustee Papaleo asked if there was anyone else that could be asked to serve until the new election. Mr. Peña stated that he believes the only choice would be the prior Alternate. Barbara Grunwald, Deputy County Counsel advised that the election procedures state that even though a former Trustee could continue serving until a new Trustee is elected or appointed, if the position becomes vacant, a full election must be held.

Mr. Peña welcomed back Mr. John Souza who won the election for the retirees.

#### **4. Election of Chair and Vice Chair for Calendar Year 2005**

Chair Souza opened nominations for Chair and Vice Chair of the Board.

Trustee Larson nominated Vera Dominguez to serve as Vice Chair, seconded by Trustee Papaleo. Chair Souza made a motion to close the nominations, seconded by Trustee Papaleo. The vote was unanimous to appoint Vera Dominguez as Vice Chair of the Retirement Board for calendar year 2005.

Vice Chair Dominguez nominated John Souza to serve as Chair, seconded by Trustee Thobe. Trustee Larson made a motion to close the nominations, seconded by Trustee Savrnoch. The vote was unanimous to appoint John Souza as Chair of the Retirement Board for calendar year 2005.

#### **5. Closed Session:**

Chair Souza pulled Closed Session items 5a, 5b and 5c.

- a. Conference with Legal Counsel – Actual Litigation - pursuant to G.C. §54956.9(a) - *County of Fresno v. Board of Retirement* – **PULLED**

- b. Conference with Legal Counsel - Actual Litigation - pursuant to G.C. §54956.9(a) - *Estrada v. Fresno County Employees' Retirement Association, et al* – **PULLED**
- c. Conference with Legal Counsel – Pending Litigation – pursuant to G.C. §54956.9(c) *Worldcom, Inc.* – Case No. 02CIV3288 – **PULLED**

## 6. Public Presentations

None.

### Consent Agenda/Opportunity for Public Comment:

A motion was made by Vice Chair Dominguez, seconded by Trustee Papaleo to approve Consent Agenda items 7 through 18. VOTE: Unanimous

#### \*7. Approval of the December 15, 2004 Retirement Board Regular Meeting Minutes

RECEIVED AND FILED; APPROVED as recommended.

#### \*8. Retirements

RECEIVED AND FILED; APPROVED as recommended.

<u>Name</u>	<u>Department</u>	<u>Years</u>
Carmen Amaro	Human Services System	15.09
Harvey T. Aoki	Agriculture	31.21
Lupe Cruz	Human Services System	10.11
Filipina S. Estaya	Human Services System	6.05
D. Ann Hall	Sheriff	24.66
Ann M. Jernagan	Administrative Office	12.61
Katherine Kucharczyk	Human Services System	7.87
Carolyn L. Lopez-Castelletto	Human Services System	12.03
Judy Diane McAdams	Human Services System	17.03
James E. McCluskey	A-C/Treasurer-Tax Collector	3.88
Elizabeth A. Medina	Human Services System	14.84
Marcus Ramirez	Human Services System	23.48
Mary Ann Renna	Human Services System	23.86
Fernando Reyna	Sheriff	27.22
Marcia Gale Smith	Human Services System	25.72
Barbara Silveira	Human Services System	2.89

#### \*9. Deferred Retirements

RECEIVED AND FILED; APPROVED as recommended.

<u>Name</u>	<u>Department</u>	<u>Years</u>
Adrienne Y. Calip	Personnel Services	6.80
Donna L. Davis	Retirement	7.70

Rachel W. Hill	District Attorney	9.85
Julie Slaughter	Human Services System	18.14
Timothy A. Sullivan	Assessor-Recorder	14.33
Nancy J. Wing	Superior Court	2.16

**\*10. Disability Retirements**

RECEIVED AND FILED; APPROVED as recommended.

<u>Name</u>	<u>Department</u>	<u>Years</u>
Georgia Davis	Human Services System	18.75
Bryan Morgan	Sheriff	18.06

**\*11. Most recent investment returns, performance summaries and general investment information from investment managers**

RECEIVED AND FILED

**\*12. Public Record Requests: December 9, 2004 request from Paul A. Dictos, December 23, 2004 request from Paul A. Dictos, December 15, 2004 request from Randolph Hernandez, Fresno County Employee**

RECEIVED AND FILED

**\*13. Board of Retirement Annual Attendance Report for 2004**

RECEIVED AND FILED

**\*14. Election Summary Report for the December 2004 Retirement Board Member Election**

RECEIVED AND FILED

**\*15. Correspondence from Ashley Dunning of Steefel, Levitt & Weiss to Sheriff Richard Pierce regarding Deputy Michael Thobe's Board of Retirement Duties**

RECEIVED AND FILED

**\*16. Correspondence from Driver Alliant Insurance Services reporting the filing of a lawsuit naming Driver Alliant as a defendant by the County of Santa Clara**

RECEIVED AND FILED

**\*17. Fresno County – GSA Security Report regarding the December 25, 2004 break-in/burglary at the FCERA Administration Building**

RECEIVED AND FILED

**\*18. First Amendment to the Agreement with Wurts & Associates**

RECEIVED AND FILED; APPROVED as recommended.

**19. Report from Wurts & Associates regarding the Investment Manager Search Process and how it has been applied to the International and Emerging Markets search**

Robero L. Peña, Retirement Administrator introduced Shelly Heier, Director of Manager Research for Wurts & Associates and welcomed her and Jeff MacLean of Wurts & Associates to the meeting.

Ms. Heier reviewed her memo to the Board regarding the recent request by the Board for a more detailed description of Wurts & Associates' investment manager search process.

Wurts & Associates' ongoing research process begins with extensive database screening with the goal of narrowing the universe of investment strategies down to a more manageable amount to conduct due diligence on. The database screening and initial evaluation steps narrow the universe down to a focused list of managers. Considerable time is then spent conducting quantitative and qualitative analysis on these managers. The managers track records are analyzed and a substantial amount of time is spent researching the qualitative factors of the organizations and investment strategies through a series of meetings, conference calls and on-site visits. The end result is a list of managers that Wurts & Associates are extremely confident recommending to the client.

An analyst with the Manager Research Group (MRG) is assigned responsibility for the client. This person gathers all necessary information about the client's current manager structure, the rationale for conducting the search, and any policy restrictions that will apply. The analyst works with the client's consultant to make any necessary adjustments to the screening process so that the search results best fit the client's needs. For example, as was the case for the most recent FCERA searches (International and Emerging Markets), the Manager Research Group felt it necessary to raise the minimum level of assets under management given the size of the FCERA accounts. Once the criteria are clearly established, the analyst re-screens the database to begin the client search. Utilizing research that the Manager Research Group has already conducted on the asset class as part of their ongoing research, the analyst is able to narrow the client's candidate list to a set of one to two dozen managers that they feel are worthy of presentation to the client. The analyst then meets with the client's consultant to select the group that best fits the client's specific needs. This select group is then presented to the client in a detailed report.

For the FCERA International and Emerging Market searches, the initial screens resulted in 31 and 45 candidates. Ms. Heier briefly reviewed spreadsheets that list these firms noting the managers that will be presented to the Board in the report to follow.

**20. Discussion and appropriate action on International Market Manager search information**

## 21. Discussion and appropriate action on Emerging Market Manager search information

Agenda Items 20 and 21 were combined for the presentation.

Jeffrey MacLean of Wurts & Associates advised the Board that the report being presented reviews the candidates for the International Growth Equity and Emerging Markets Equity searches. In addition to Wurts & Associates' standard search criteria, they also incorporated some of the following factors in the searches:

### International Growth Equity

- Firm assets greater than \$1.5 billion
- Strategy assets greater than \$750 million
- Minimum 3 year track record
- Investment style consistent with growth style of investing
- Developed countries only
- Available via separate account or commingled fund

### Emerging Markets Equity

- Firm assets greater than \$1 billion
- Strategy assets greater than \$500 million
- Minimum 3 year track record
- Available via separate account or commingled fund

Because it was anticipated that many of the same managers would offer products in both the International Growth and Emerging Markets Equity asset classes, consideration was also given to managers that would be able to offer both strategies, either as separate portfolios or as one portfolio. These managers were considered as International Growth Plus in the report in which an international manager opportunistically invests in emerging markets.

The performance of FCERA's current manager, Marvin & Palmer, is shown in the report for comparative purposes.

The Manager Research Group and Mr. MacLean agreed upon the following managers that are being recommended to the Board:

### International Growth

- AllianceBernstein Institutional
- Baillie Gifford Overseas
- Fidelity Management Trust Company
- Grantham, Mayo, Van Otterloo & Company
- McKinley Capital Management
- MFS Investment Management
- Oechsle International Advisors
- Walter Scott & Partners Limited

### Emerging Markets

- AllianceBernstein Institutional

- Baille Gifford Overseas
- Dimensional Fund Advisors
- Mondrian Investment Partners
- Pictet International Management
- State Street Global Advisors
- Wellington Management Company
- Wells Capital Management

International Growth Plus (managers with emerging markets exposure)

- AllianceBernstein Institutional
- Artisan Partners
- Baillie Gifford Overseas
- McKinley Capital Management
- MFS Investment Management
- Oechsle International Advisors
- Wellington Management Company

Ms. Heier and Mr. MacLean reviewed each firm discussing with the Trustees firm background information, equity characteristics, performance review, fee information, product background information and investment professionals information.

Discussion followed on which of the recommended firms to bring to the Board for presentation.

The Board discussed whether or not to include the International Growth Plus managers in their consideration of firms to choose from. The Board determined that they would choose from the separate International Growth and Emerging Market managers and will not be considering the International Growth Plus managers.

A motion was made by Vice Chair Dominguez, seconded by Trustee Papaleo to invite International Growth managers McKinley Capital Management, Oechsle International Advisors, Fidelity Management Trust Company and Walter Scott & Partners Limited to make presentations to the Board. VOTE: Unanimous (Absent-Savrnock).

A motion was made by Trustee Larson, seconded by Trustee Crow to invite Emerging Markets managers Mondrian Investment Partners, State Street Global Advisors, Wellington Management Company and Wells Capital Management to make presentations to the Board.

After further discussion, the motion made by Trustee Larson, seconded by Trustee Crow was revised to inviting Emerging Markets Managers Mondrian Investment Partners, Wellington Management Company and Wells Capital Management to make presentations to the Board. VOTE: Unanimous.

## **22. Report from Wurts & Associates regarding Post Trade Transition Analysis for the Artisan Partners and Kalmar Investments funding**

Jeffrey MacLean of Wurts & Associates reviewed the bid process between State Street and BGI to handle the transition for the funding of Kalmar Investments and

Artisan Partners. Mr. MacLean stated that he and Mr. Peña both felt that State Street had the best proposal to make this transition in the most cost effective way. Mr. MacLean went on to thoroughly review State Streets Post Trade Transition Analysis report. The review included performance, trading summary, costs and savings analysis, market performance, buy/sell detail, reconciliation to pre trade and cost detail.

### **23. Report from FCERA Administration**

Becky Van Wyk, Chief Accountant gave a brief review of the following items:

1. Thanaphat "Pat" Srisukwatana, FCERA's new Systems & Procedures Analyst was introduced to the Trustees.
2. The 1099R's will be mailed to retirees on January 25, 2005.

### **24. Report from County Counsel**

Barbara Grunwald, Deputy County Counsel gave a brief report on the following items:

1. Review of current litigation taking place in California.
2. Form 700 has been distributed to the Trustees and is due to FCERA Administration by April 1, 2005. Ms. Grunwald advised the Board that she is available to assist in filling out this form.

### **25. Board Member Announcements or Reports**

Chair Souza requested that the Trustees turn off their cell phones during the Board meetings, stating that the full attention of the Trustees is needed.

### **NEXT MEETINGS:**

January 19, 2005 – 9:00 AM (Wednesday)  
 Regular Meeting  
 FCERA Boardroom  
 1111 H Street, Fresno, CA 93721

February 2, 2005 – 9:00 AM (Wednesday)  
 Regular Meeting  
 FCERA Boardroom  
 1111 H Street, Fresno, CA 93721

There being no further business, the meeting was adjourned at 12:40 PM.

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Roberto L. Peña  
 Secretary to the Board of Retirement