

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

**Wednesday, March 1, 2006**

**Trustees Present:**

Michael Cardenas	Vicki Crow
Vera Dominguez	Steven Jolly
Phil Larson	A. Papaleo
Stephanie Savrnoch	John Souza
William Storey	

**Others Present:**

Michael Cunningham, Retired FCERA Member  
Ronald S. Frye, Alternate Trustee  
Emily S. Colella, Artisan Partners Limited Partnership  
Craig A. Cepukenas, Artisan Partners Limited Partnership  
Ford B. Draper, Jr., Kalmar Investments, Inc.  
Jeffrey Stroble, Kalmar Investments, Inc.  
Jeffrey MacLean, Wurts & Associates  
Ira Summer, Public Pension Professionals  
Conor Hinds, Senior Accountant  
Barbara Booth Grunwald, Deputy County Counsel  
Roberto L. Peña, Retirement Administrator  
Becky Van Wyk, Chief Accountant  
Elizabeth Avalos, Administrative Secretary  
Sign in Sheet Attached

**1. Call to Order**

Chair Jolly called the meeting to order at 9:05 AM.

**2. Public Presentations**

None.

**Consent Agenda/Opportunity for Public Comment:**

Trustee Souza pulled Agenda Item 11. Trustee Cardenas pulled Agenda Item 16.

A motion was made by Trustee Jolly, seconded by Trustee Souza to Approve Consent Agenda Items 3 – 10 and 12 – 15. VOTE: Unanimous (Absent – Crow)

**\*3. Approval of the February 15, 2006 Board of Retirement Regular Meeting Minutes**

RECEIVED AND FILED; APPROVED

**\*4. Approval of the modified October 26, 2005, Special Meeting Minutes**

RECEIVED AND FILED; APPROVED

**\*5. Retirements**

RECEIVED AND FILED; APPROVED

Susan G. Boydston	Behavioral Health	18.78
Yashpal K. Brar	E & TA – Deferred	8.91
Ann Burtner	Public Defender – Deferred	17.03
Hortensia Cabral	Child Support Services	29.36
David L. Crow	Administrative Office – Deferred	15.32
Imelda Cubos	VMC – Deferred	6.00
Jimmy De Leon	E & TA	17.39
Charles E. Francone	Agriculture	33.39
Jacquelyn French	Children & Fam Svs – Deferred	8.35
Karen Michelle Gipson	Probation	21.51
Lawrence Hendrickson	Sheriff	14.54
Rueben A. Hunter	Behavioral Health	20.51
Danny L. Hurt	General Services – Deferred	18.92
Gerald M. Janigian	Assessor-Recorder – Deferred	7.82
Linda Lee Kellas	E & TA	17.90
Dora E. Mugica	Sheriff – Deferred	11.70
Hong K.T. Nguyen	Child Support Services	26.15
Linda Patrick	VMC – Deferred	8.01
Dwight D. Perry	Sheriff	26.42
Thomas Platten	Fresno Mosquito Abate District	32.04
Robert M. Rische, Jr.	District Attorney – Deferred	17.82
Warren P. Robinson	Public Defender – Deferred	15.99
Tony Sonpez	E & TA	13.79
Reggie Trevino	Public Works & Planning	25.50

**\*6. Disability Retirements**

RECEIVED AND FILED; APPROVED

Dori Baxendell	E & TA	30.01
Mary Burgess	Sheriff	14.40
Raymond Calloway	E & TA	12.71
John E. Cooley	General Services	14.18
Robert Mero	Sheriff	6.13
Irene Sapp	Fresno Mosquito Abate District	11.96

**\*7. Request to Purchase General Service as Safety Time – John L. Esparza**

RECEIVED AND FILED; APPROVED

**\*8. Most recent investment returns, performance summaries and general investment information from investment managers**

RECEIVED AND FILED

- \*9. Public Records Requests and/or Retirement Related Information Requests from Linda Hunt, Imperial County Planning & Development, Gale Garcia, Merced County and Maria Arevalo of Merced County Employees' Retirement Association**

RECEIVED AND FILED

- \*10. Report on Trustee Dominguez' attendance at the Public Pension Fund Fiduciary Symposium sponsored by Steefle, Levitt & Weiss**

RECEIVED AND FILED

- \*11. Memo regarding Janus Capital acquiring additional shares of Enhanced Investment Technologies, LLC**

Trustee Souza asked if Janus Capital had been involved in the "after-hours trading" scandal a few years ago and how it might impact FCERA. Jeffrey MacLean, Wurts & Associates, stated that this particular group had not been involved and that the issue had been discussed with the Board and that there was no impact to FCERA.

Mr. Peña reminded the Board that an article regarding INTECH was included in their Communication Packet.

A motion was made by Trustee Souza, seconded by Trustee Dominguez to Approve Agenda Item 11. VOTE: Unanimous (Absent – Crow)

RECEIVED AND FILED

- \*12. Memo regarding the New Director of Research at TCW Group**

RECEIVED AND FILED

- \*13. Memo regarding Ted Aronson Founder and Managing Principal of Aronson + Johnson + Ortiz**

RECEIVED AND FILED

- \*14. Memo regarding BlackRock Merger with Merrill Lynch**

RECEIVED AND FILED

- \*15. Attendance at the CALAPRS Principles of Pension Management, Stanford University Law School by Trustees Vera Dominguez, Steven Jolly, and Stephanie Savrnoch March 28-31, 2006**

RECEIVED AND FILED; APPROVED

Trustee Crow joined the Board at 9:11 AM.

**\*16. Contract with Segal Company for Actuarial Audit Services**

Trustee Cardenas voiced his concerns regarding objections to the contract by Paul Angelo which FCERA conceded to. Mr. Peña and Ms. Van Wyk explained to the Board that Harvey Leiderman, Steefel, Levitt, & Weiss had recommended expanding the scope of the contract to include the experience study and this was not done as it was outside the scope of the audit as bid.

Mr. Leiderman also recommended striking the mutual indemnity clause. Mr. Peña stated that he had reviewed several contracts issued recently and found inconsistencies in the indemnity clauses. Ms. Van Wyk stated that the final draft includes mutual indemnity clauses.

Ms. Van Wyk also stated that the liability coverage is adequate.

Discussions, questions, and comments followed.

A motion was made by Trustee Cardenas, seconded by Trustee Souza to Approve Agenda Item 16. VOTE: Unanimous

RECEIVED AND FILED; APPROVED

**17. Performance and Economic Summary report presented by Emily S. Colella and Craigh A. Cepukenas, Artisan Partners Limited Partnership**

Mr. Peña introduced Emily S. Colella and Craigh A. Cepukenas of Artisan Partners Limited Partnership.

Ms. Colella began the presentation with a brief overview of Artisan Partners. Mr. Cepukenas began with an investment overview.

Mr. Peña asked how disagreements between team members are handled. Mr. Cepukenas stated that issues are dealt with by communicating and debating until each team member is satisfied with the material at hand.

Mr. Peña inquired as to the differences between the performance return numbers of Artisan Partners and Kalmar Investments. Ms. Colella explained that difference might be due to "beginning of day" and "end of day" calculations.

Discussions, questions, and comments followed.

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**18. Performance and Economic Summary report presented by Ford B. Draper, Jr. and Jeffrey Stroble, Kalmar Investments, Inc.**

Mr. Peña introduced Ford B. Draper, Jr. and Jeffrey Stroble of Kalmar Investments, Inc.

Mr. Stroble began the presentation with a brief overview of Kalmar Investments. Mr. Draper began with an investment overview.

Discussions, questions, and comments followed.

RECEIVED AND FILED

**19. Discussion and appropriate action on selection of investment vehicle for a private market investment in Blackstone Capital Partners IV, L.P.**

Mr. Alan Cabral, Seyfarth Shaw, was made available via a conference call to address their legal document related to Unrelated Business Taxable Income (UBTI).

Mr. Peña explained to the Board that from time to time, depending on the complexity of an investment deal, an "Opt-Out Election" memorandum is issued, in which the deal is provided to all limited partners, including FCERA. Over the past 15 months, there have been several occasions where the "opt-out" election has been provided because of the potential for generating UBTI.

Mr. Peña asked for direction from the Board regarding the use of a "Feeder Vehicle" which is not subject to UBTI or to invest directly by taking the position that FCERA is not subject to UBTI.

Trustee Cardenas asked that if FCERA should happen to be required to pay taxes in the future would FCERA's tax exempt status be jeopardized. Mr. Cabral stated that FCERA is in fact a governmental plan and not subject to taxes.

A motion was made by Trustee Jolly, seconded by Trustee Crow adopt a policy to invest directly in this and similar offers in the future and to not use a "feeder vehicle".  
VOTE: Unanimous

RECEIVED AND FILED; APPROVED

**20. Discussion and appropriate action on FCERA Assumed Rate of Return presented by Ira Summer, Public Pension Professionals and Jeffrey MacLean, Wurts & Associates**

Mr. Peña reminded the Board that Ira Summer, Public Pension Professionals, raised the possibility that given the current economic climate and future expected returns, it may be time to change FCERA's 8.16% assumed rate of return and as a result Mr. Peña invited Ira Summer and Jeff MacLean to make presentations regarding the implications of current and future economic climates and expected returns.

Mr. Summer began his presentation by reviewing the economic assumptions. Mr. Summer stated that FCERA's real rate of return expectation of 4.0% was the second highest and our 8.16% assumed rate of return was the third highest, among the 1937 Act systems.

Mr. MacLean began his presentation by reviewing the expectations of various asset classes of other consulting firms. Mr. MacLean stated that Wurts & Associates endorses the proposition of FCERA considering lowering the expected rate of return.

Trustee Savrnock asked Mr. MacLean to recommend a lower assumed rate of return should the Board agree. Mr. MacLean stated that he would recommend that the Board lower the assumed rate of return to 7.75%, a compounded rate of 7.9%.

Trustee Souza commented that by lowering the assumed rate of return, employee and employer contribution rates would increase.

Mr. Summer stated that by lowering the assumed rate of return employee contribution rates could increase 2/3 percent to 1% of pay and employer rates could increase from 16.3% to 19.6%.

Mr. Peña asked of the two variables, inflation rate and the real rate of return, which has the largest impact on the contribution rates. Mr. Summer stated that the real rate of return has approximately twice the impact of the inflation assumption.

Trustee Larson asked what Fresno County is currently contributing to the retirement plan. Mr. Peña stated that the current rate is approximately \$58 million. Trustee Crow commented briefly on the two components of the employer contribution.

Mr. Peña recommended that the Board address the issue during the 2006 Actuarial Valuation when Ira Summer will be presenting the Experience Study. Mr. Peña also recommended that the Board consider having the investment consultant prepare an Asset Liability Study.

Discussion, questions, and comments followed.

A motion was made by Trustee Crow, seconded by Trustee Dominguez to revisit the issue in a time period prior to 12 months. VOTE: Unanimous

RECEIVED AND FILED; APPROVED

**21. Discussion and appropriate action on FCERA Guidelines to offer Retirement "Optional Settlement 4" under G.C. §31764**

Ms. Van Wyk asked the Board to adopt formal policies describing the parameters under which a member can elect Optional Benefit 4 so as to reduce the requirement for Board approval of each individual request.

Ms. Van Wyk explained to the Board that Optional Settlement 4 offers a reduced benefit to the member with continuing benefits to more than one beneficiary or a continuing benefit to a single beneficiary in percentages other than those offered by other statutes.

FCERA Administration recommends the following:

- At the written request of the member, FCERA will provide one basic Optional Settlement 4 calculation no more than one year prior to the member's earliest retirement eligibility date at no cost to the member. The estimated cost of additional calculations or calculations provided beyond one year of a member's earliest date of retirement eligibility must be paid in full before the calculation is requested by FCERA. Any amount remaining for the cost of the calculation must be paid before the calculation is provided to the member.
- The basic optional 4 benefit will be defined as the benefit required to implement an executed and court approved Domestic Relations Order without reversion should the former spouse predecease any remaining beneficiaries or to provide equal continuing benefits to multiple beneficiaries without reversion to any remaining beneficiaries upon the death of any beneficiary.
- The basic Optional Settlement 4 benefit without reversion and equal or unequal continuing benefits to multiple beneficiaries.
- A request for an Optional Settlement 4 calculation will be made in writing on the form approved by FCERA Administration and include the member's signature and an acknowledgement that the member understands that only one calculation will be paid for by FCERA and that any subsequent requests, even if their request is denied by the Board, will be charged to the member.

A motion was made by Trustee Savrnock, seconded by Trustee Crow to approve Agenda Item 21 as recommended by Administration. VOTE:  
Unanimous

RECEIVED AND FILED; APPROVED

Mr. Peña pulled Agenda Item 22.a. as there was nothing to discuss.

**22.** Closed Session:

- a.** Conference with Legal Counsel – Actual Litigation - pursuant to G.C. §54956.9(a) - *County of Fresno v. Board of Retirement*
- b.** Disability Retirement Applications – Personnel Exception (G.C. §54957):

1. Diane Christian

**23. Report from Closed Session**

**22.a.** Pulled.

**22.b.1.** Diane Christian – The Board has agreed to set the matter for hearing before itself. At such hearing, which shall occur after the applicant has been examined by a second independent medical examiner, the Board shall hear and decide the matter as if it had not been referred to the referee. VOTE: Unanimous

**24. Report from FCERA Administration**

1. Cost of Living letter to be sent to FCERA Retirees
2. An article regarding the Cost of Living and the Supplemental Cost of Living
3. A reminder to the Trustees that the SACRS travel questionnaires are due
4. A reminder to the Trustees that the Form 700 is due by April 3, 2006
5. Update on the recent developments regarding the Lot Split

**25. Report from County Counsel**

None.

**26. Board Member Announcements or Reports**

1. Trustee Papaleo inquired about information that he had previously requested. Mr. Peña explained that the information would be available at the next Regular Board meeting

There being no further business, the meeting adjourned at 1:05 PM.

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Roberto L. Peña  
Secretary to the Board