

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

May 4, 2011

Trustees Present:

Alan Cade, Jr.
Franz Criego
Steven Jolly

Michael Cardenas
Vicki Crow
Phil Larson

Nick Cornacchia
Eulalio Gomez
John Souza

Others Present:

Regina Wheeler, Alternate Trustee
Judy Case, Board of Supervisor
Robert Bash, FCERA Member
Jeffrey MacLean, Wurts & Associates
Joice Carver, FCERA Member
Susan Coberly, Senior Deputy Counsel
Roberto L. Peña, Retirement Administrator
Becky Van Wyk, Assistant 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 8:35 AM.

2. Pledge of Allegiance

Recited.

Administration noted that a request from Trustee Nick Cornacchia to attend the Investment Trends Summit Event June 15-16, 2011 in Santa Barbara, CA was received subsequent to the posting of the agenda and recommended that the request be added to the agenda (Item 17) so that travel arrangements could be made timely.

A motion was made by Trustee Jolly, seconded by Trustee Souza, to add the request as recommended. VOTE: Unanimous

3. Public Presentations

Joice Carver addressed the Board regarding her application for service-connected disability benefits. The Board took no action.

Consent Agenda/Opportunity for Public Comment

Trustees Cornacchia pulled Consent Item 12 for discussion. Trustee Souza pulled Consent Items 16 and 19 for discussion.

A motion was made by Trustee Larson, seconded by Vice Chair Gomez, to Approve Consent Agenda Items 4-11, 13-15, 17 and 18. VOTE: Unanimous

***4. Approve the April 20, 2011 Retirement Board Regular Meeting Minutes**

RECEIVED AND FILED; APPROVED

***5. Retirement**

RECEIVED AND FILED; APPROVED

Mary Theresa Acosta-Mena	Public Works & Planning	26.92
Dorothy V. Alvarez	Superior Court	15.13
Virginia L. Bailey	VMC, Deferred	14.53
Robert P. Bentley	Dept of Social Services	15.73
Sandra Cisneros	Child Support Services	32.31
Frank X. Esquivel	District Attorney	34.73
Martha A. Evers	Dept of Social Services	10.50
Betty A. Gamino	Probation	18.97
Donita Jo Ghimenti	Assessor-Recorder	33.74
Donna J. House	Dept of Social Svs, Deferred	7.11
George L. Ibarra	Dept. of Social Services	18.85
Timothy R. Lopez	Dept. of Social Services	15.41
Lydia H. Lucio-Walker	Agriculture	21.66
Brenda L. Markham	Sheriff	25.88
Kathleen L. Martinez	Sheriff	20.22
Helen M. Montero	Dept. of Social Services	18.82
Angie Morfin	Superior Court	21.46
Betty Moultrie	Dept of Social Services	24.07
Olivia Murane	Public Health, Deferred	21.24
Georgetta Paggett	Probation	21.73
Patricia Pondexter	Library	22.42
Klaus Rathjens	Sheriff	21.88
Judy Rutledge	Public Health	13.30
Mary Lou Salas	Superior Court, Deferred	5.42
Mary E. Sanchez	Dept of Social Services	10.00
Vicki J. Skinner	ACTTC	10.00
Sandra Souther	Dept of Social Svs, Deferred	12.62
Jack W. Sparke	Sheriff	30.28
Joan M. St. Louis	Superior Court	10.07
Rocio Sustaita	Superior Court, Deferred	10.30
Jon F. White	District Attorney, Deferred	5.86
Thomas H. Zynda	Public Defender	16.48

***6. Deferred Retirement**

RECEIVED AND FILED; APPROVED

Linda C. Alaniz	Dept of Social Services	13.61
Genero Andrada	Behavioral Health	16.78
Arthur Asadourian	Library	6.10
Darnell Hammock	Probation	5.01
Quy Gip	Behavioral Health	8.97

***7. Disability Retirement**

RECEIVED AND FILED; APPROVED

Lynn E. Adams	Dept of Social Svs	13.61
Brian W. Anderson	Coroner Pub Adm/Pub Guard	5.40

***8. Request to Rescind Deferred Retirement**

RECEIVED AND FILED; APPROVED

Maria V. Quintanilla	Sheriff	7.09
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***9. Public Records Requests and/or Retirement Related Correspondence from Bill Santos, Kenmar Group; Christina Perri, Financiere de l'Echiquier's; Teal J. Lynch, Thomson Reuters; Nick Madrid, Bloomberg LP; Andy Weathers, ACIM Funds; Catherine Ajaero, Capitol IQ; Eulalio Gomez, FCERA Board Trustee; Ron Madsen, FCERA Member; and Kurtis Alexander, The Fresno Bee**

RECEIVED AND FILED

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

RECEIVED AND FILED

***11. Educational Reading Materials**

RECEIVED AND FILED

- April 15, 2011 [NewsDash](#) article – *Former NY Comptroller Gets Jail – and a Pension?*
- April 15, 2011 [NewsDash](#) article – *States Must Face the Truth about Pensions to Fix Debts*
- April 18, 2011 [NewsDash](#) article – *CalPERS Adopts Priorities for DB Plans*
- April 18, 2011 [Asset International](#) article – *SSgA Says ETFs Gain Momentum Among Schemes; IMF Express Concern*
- April 18, 2011 [Asset International](#) article – *Fed Report- Threat of Municipalities Defaulting May Be 'Overblown'*
- April 20, 2011 [Asset International](#) article – *Detroit Pension Sue Over Michigan Financial Manager Law*
- April 21, 2011 [Asset International](#) article – *Following Questions Over Blurred Roles, SDCERA's Acting CIO Departs*
- April 21, 2011 [Plansponsor.com](#) article – *Public Pensions in Recovery*
- April 22, 2011 [Plansponsor.com](#) article – *KRS Puts Staff Salaries Online*
- April 22, 2011 [Floyd, Skeren & Kelly ,LLP](#) article – *San Jose Audit Slams Police and Firefighter Retirement Program*
- April 25, 2011 [Plansponsor.com](#) article – *CalPERS Issues Public Employee Benefits Education to Elected Officials*
- April 25, 2011 [Asset International](#) article – *With Pension Bonus Announcements, Smaller Funds Join Public in Outcry*
- April 28, 2011 [Asset International](#) article – *Former SBCERA CIO Barrett: 'Outsource Everything, or Nothing at all'*
- CALAPRS Trustees' Roundtable **June 3, 2011** Burbank, CA

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

In response to questions from Trustee Cornacchia regarding the investments fees of State Street, Administration stated that it will work with State Street to clarify the fees and return to the Board with a description of the fees at a later meeting.

A motion was made by Vice Gomez, seconded by Trustee Crow, to Accept Item 12 with noted direction. VOTE: Unanimous

RECEIVED AND FILED

***13. Wurts & Associates March 2011 Quarterly Research Report**

RECEIVED AND FILED

***14. FCERA Cash Flow position as of March 2011**

RECEIVED AND FILED

***15. Report from Trustee Steve Jolly on attendance at the 2011 Pension Bridge Annual Conference**

RECEIVED AND FILED

***16. Budget Status for the period ending March 31, 2011**

In response to questions from Trustee Souza regarding the costs of postage and printing reflected in the Budget Status report, Administration noted that the majority of the costs were due to a notification sent to retirees regarding an inquiry from the Fresno Bee. Administration noted that as part of the Board's Public Requests Act (PRA) Policy retirees are notified of certain requests prior to information being released.

The Board directed Administration to agendize a discussion of the PRA policy. Administration agreed.

A motion was made by Trustee Souza, seconded by Vice Chair Gomez, to Accept Item 16 with noted direction. VOTE: Unanimous

RECEIVED AND FILED

***17. Requests from Trustees Cornacchia, Cardenas and Gomez to attend the Investment Trends Summit Event June 15-16, 2011 in Santa Barbara, CA and to receive a travel advance in the amount of \$558.00 for hotel accommodations**

RECEIVED AND FILED; APPROVED

***18. Primary Fiduciary Insurance Coverage – May 31, 2011 – May 31, 2012**

RECEIVED AND FILED; APPROVED

***19. Discussion and appropriate action on Fixed Income Managers Guideline Changes for Western Asset Management Company (WAMCO), Standish Mellon, and Loomis Sayles**

In response to concerns raised by Trustee Souza regarding WAMCO's request for guideline changes that consist of an expansion of its emerging market debt (EMD) exposure to include local currency sovereign and US dollar corporate emerging market debt, Jeffrey MacLean, Wurts & Associates, noted that WAMCO expects to generate value added from interest rate strategies and currency appreciation from its EMD exposure. WAMCO would allocate 1.5% of its portfolio to US dollar corporate EMD and 3.0% to local currency sovereign EMD.

In addition, Trustee Jolly noted that the guideline changes requested by Loomis Sayles would add administration fees of approximately one to two basis points to the overall fee on the account and inquired whether Wurts & Associates had attempted to negotiate lower fees. Mr. MacLean stated they had not.

The Board directed Mr. MacLean to work with Loomis Sayles to negotiate a lower administration fee.

Mr. MacLean stated that Wurts believes that expanded manager flexibility can provide additional layers by which FCERA's fixed income managers can add value. In the case of WAMCO, the manager proposes to adjust the guidelines in keeping with the evolution of the fixed income market. The Standish and Loomis Sayles opportunistic mandates are meant to have greater flexibility to allow the manager to take on unique opportunities as they become available in the fixed income market. Mr. MacLean recommended approval of the proposed guideline changes.

A motion was made by Trustee Jolly, seconded by Trustee Crow, to Approve Item 19 as recommended. VOTE: Yes – Cade, Cornacchia, Criego, Crow, Jolly, Larson. No – Cardenas, Gomez, Souza.

RECEIVED AND FILED; APPROVED

Due to timing constraints, Trustee Larson requested that Item 23 be heard at this time.

A motion was made by Trustee Crow, seconded by Trustee Souza, to Approve the request to hear Item 23 at this time. VOTE: Unanimous

23. Presentation on Retirement Task Force Report presented by Judy Case, Fresno County Supervisor

Supervisor Judy Case reviewed the Fresno County Retirement Review Task Force findings noting that the Task Force was convened and tasked with examining the current county pension system, evaluating its viability and making recommendations for potential reforms. It has done so in full awareness of the backdrop of the nationwide municipal government pension crisis and the recent recommendations of the State of California, Little Hoover Commission's, *Public Pensions for Retirement Security Report*.

Detailed discussions ensued regarding the current costs of sustaining the pension plan and the issues that must be addressed in order to continue to provide the benefits promised to employees while continuing to provide adequate services to the taxpayers.

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

20. Discussion and appropriate action on selection of investment management firm for the Mezzanine Debt mandate

Jeffrey MacLean, Wurts & Associates, opened discussions with an overview of the proposed investment management firms for the Mezzanine Debt mandate reviewing each of the firm's investment strategy, background, and key personnel.

The Board heard detailed presentations from Fred Goltz and Dan McLaughlin of Kholberg Kravis Roberts & Company (KKR) and Bennett Goodman of GSO Capital (GSO) outlining their respective firm's investment strategies and mezzanine platforms.

Detailed discussions ensued regarding the mezzanine debt mandate and the various strategies, competitive advantages, projected returns and track records, and fee structures of each firm. In addition, the Board discussed the potential risks and concerns of the management firms.

A motion was made by Trustee Crow, seconded by Trustee Cornacchia, to begin contract negotiations with Kholberg Kravis Roberts & Company (KKR). VOTE: Yes – Cade, Cornacchia, Criego, Crow, Gomez, Souza. No – Cardenas. (Abstain – Jolly) (Absent – Larson)

RECEIVED AND FILED; APPROVED

21. Discussion and appropriate action on Landmark ~ Religare Global Asset Management ownership change

Jeffrey MacLean, Wurts & Associates (Wurts), opened discussions by reminding the Board that on December 2, 2010, Landmark Partners (Landmark) announced the strategic partnership with Religare Global Asset Management Inc. (Religare) in which Religare will acquire 55% ownership of Landmark. Mr. MacLean noted that, because Wurts generally deems loss of control as a negative event for an organization, Wurts recommended withholding approval and consent to the transaction.

Mr. MacLean stated that the transaction has been structured such that Landmark retains control of the investment process and investment decision authority, as well as day-to-day responsibilities for its fund. Because there will be no changes to the fund terms and equity participation by additional members of the team ensures continuity and lays the groundwork for succession planning, Wurts believes that current investors are sufficiently protected.

The Board heard presentations from Scott Conners, Partner with Landmark and Matt Mongia, Managing Director with Religare, outlining the improved transactional capabilities and benefits of the partnership. Discussions ensued.

Trustee Jolly departed at 12:10 PM.

A motion was made by Trustee Crow, seconded by Trustee Souza, to Accept Item 21 as presented. VOTE: Unanimous (Absent – Cornacchia, Gomez, Jolly, Larson)

Trustees Cornacchia and Gomez were absent from the dais during the vote.

RECEIVED AND FILED; APPROVED

22. Presentation on Rebalance and Transition update related to recently approved asset allocation changes

Roberto L. Peña, Retirement Administrator, gave an overview of the three phases of the rebalance noting that the primary goals were accomplished as outlined in the asset allocation presentation on March 2, 2011.

A motion was made by Trustee Crow, seconded by Vice Chair Gomez, to Accept Item 22 as presented. VOTE: Unanimous (Absent – Jolly, Larson)

RECEIVED AND FILED; APPROVED

23. Presentation on Retirement Task Force Report presented by Judy Case, Fresno County Supervisor

Please see discussion following Item 19.

24. Discussion and appropriate action on Excess Fiduciary Insurance Coverage – May 31, 2011 – May 31, 2012

Becky Van Wyk, Assistant Retirement Administrator, opened discussions by reminding the Board that it has purchased Excess Fiduciary Liability Insurance coverage since April 2004. During that time, all four claims filed with the Primary Fiduciary Liability Insurance carrier have been denied; therefore, the Excess Fiduciary Liability Insurance was not required.

Ms. Van Wyk noted that, although the Board may elect to continue coverage, Administration recommends that the Board eliminate the Excess Fiduciary Liability Insurance at this time. Detailed discussions ensued.

A motion was made by Trustee Souza, seconded by Trustee Cornacchia, to Approve the elimination the Excess Fiduciary Liability Insurance as recommended. VOTE: Yes – Cardenas, Cornacchia, Criego, Gomez, Souza. No – Crow. (Abstain – Cade) (Absent – Jolly, Larson)

RECEIVED AND FILED; APPROVED

Roberto L. Peña, Retirement Administrator, pulled Closed Session Agenda Items 25.A.1., 25.A.2. and 25.A.3. as there was nothing to discuss.

25. 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. James Greenwood
 2. Joice Carver

26. Report from Closed Session

- 25.A.1. Pulled.
- 25.A.2. Pulled.
- 25.A.3. Pulled.
- 25.B.1. **James Greenwood – Decision – Grant Service-Connected Disability benefits based on the Findings of Fact and Decision. M – Crow. S – Gomez. VOTE: Unanimous (Absent – Jolly, Larson)**
- 25.B.2. **Joice Carver – A motion was made by Vice Chair Gomez to reconsider the Board's April 20, 2011 decision to deny Service-Connected Disability benefits. VOTE: Yes – Cade, Crow, Gomez. No – Cardenas, Cornacchia, Criego, Souza. (Absent – Jolly, Larson) Motion Failed.**

Trustees Criego and Crow departed at 12:30 PM.

27. Report from FCERA Administration

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

1. Administration held its second Pre-Retirement Seminar on April 26, 2011. The seminar was attended by approximately 250 members and was well received.
2. A Budget Committee Meeting is scheduled for May 18, 2011.

28. Report from County Counsel

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

29. Board Member Announcements or Reports

The Board members had nothing to report.

There being no further business the meeting adjourned at 12:35 PM.

Roberto L. Peña
Secretary to the Board