Avalos, Elizabeth

From: Avalos, Elizabeth
Sent: Monday, February 09, 2009 12:19 PM
To: 'rgohri@iisearches.com'
Cc: Pena, Roberto
Subject: FW: Request for information

Attachments: PRA IISearches 020909.pdf

PRA IISearches 020909.pdf (1,0...

Good Afternoon Ms. Gohri:

On behalf of Mr. Peña, I have attached a memorandum and spreadsheet from Wurts & Associates which addresses your questions below regarding FCERA's Asset Allocation.

Please contact me if you have any questions. Thank you.

Elizabeth Avalos
Administrative Secretary
Fresno County Employees' Retirement Association
1111 H Street, Fresno, CA 93721
(559) 457-0681
(559) 457-0318 FAX
eavalos@co.fresno.ca.us

-----Original Message-----
From: Gohri, Rupali [mailto:rgohri@iisearches.com]
Sent: Thursday, January 29, 2009 12:17 PM
To: Pena, Roberto
Subject: Request for information

Dear Mr. Pena,

How are you doing? I just read your recent published minutes on the website and gathered some information that the , the plan's consultant, Wurts & Associates, recommended over $50 million in additional p.e. commitments in order for Fresno to hit its 7% target. Specifically, Wurts said that distressed-debt and secondary interests represent the most attractive areas for investors and reccomends a $30 million allocation to each strategy. The scheme is looking to ramp up its private equity commitments while pacing and potentially decreasing its 9% allocation to hedge funds.

* What is the current size of the fund? Apart from private equity investments, does the fund plans any new investments in the foreseeable future?
* What is the current asset allocation of the fund?

Warm Regards,
Roopali gohri
Researcher
IISearches / Institutional Investor
Ph: + 1 212 224 3095

rgohri@iisearches.com
www.iisearches.com

From: Pena, Roberto [mailto:RPena@co.fresno.ca.us]
Sent: Thu 12/18/2008 4:12 PM
To: Gohri, Rupali
Subject: RE: Request for information

Hi Rupali,

The fund is not considering socially responsible investments at this time.

Please note the Board requested sometime back language on socially responsible investments to be included added to our investment policy.

I hope this clarifies the issue.

Thank you.

Roberto L. Peña
Retirement Administrator
Fresno County Employees' Retirement Association
1111 H Street, Fresno, CA 93721
(559) 457-0350
(559) 457-0318 FAX
rpena@co.fresno.ca.us
-----Original Message-----
From: Gohri, Rupali [mailto:rgohri@iisearches.com]
Sent: Thursday, December 18, 2008 12:34 PM
To: Pena, Roberto
Subject: Request for information

Dear Mr. Pena,

How are you doing? I just read your recent published minutes on the website and gathered some information that the fund is executing its new asset allocation and is considering investments in Socially Responsible lang.

Discussion and appropriate action on updated FCERA Investment Policy and Guidelines as it relates to the new asset allocation targets and Socially Responsible Investing language.

May I confirm that is the fund looking for the same as a long term investment.

Warm Regards,
Roopali gohri
Researcher
IISearches / Institutional Investor
Ph: + 1 212 224 3095

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WURTS ASSOCIATES

MEMORANDUM

To: **Board of Trustees, Fresno County Employees' Retirement Association**

From: **Jeffrey MacLean, Wurts & Associates**

Date: **January 29, 2009**

Re: **Revised Asset Allocation and Rebalancing Recommendation**

The purpose of this memorandum is to recommend a revision to the asset allocation policy and to advise the Board on rebalancing the portfolio to fund the forthcoming Opportunistic Fixed Income and TIPs mandates.

The asset allocation policy recommended by Wurts & Associates and adopted by the Board of Trustees allocated 9% to Hedge Fund of Funds. Wurts & Associates recommends trimming this allocation to 5%.

The rational for this recommendation is twofold. First, the dramatic changes in the capital markets during the last six months of 2008 make traditional investments much more attractive relative to hedge funds. Second, hedge funds will certainly experience a re-rationalization as institutional investors grapple with the Madoff scandal, deleveraging, and their lower liquidity. While Wurts & Associates doesn't rule out a 9% allocation for FCERA sometime in the future, we believe the current environment makes the revised allocation much more prudent. Many of these issues were discussed in our memorandum to clients dated November 14th. I have enclosed a copy of that memorandum for your reference.

Wurts' 2009 long term expected returns (10 year) for large capitalization U.S. equities has been increased from 8.20% to 9.25%. This 1.05% increase is the result of more favorable valuations from recent market declines. Credit strategies have also become much more attractive as we have increased Wurts' high yield 10 year expected returns by 5.50% over our 2008 assumption. At the same time, we have lowered our hedge fund assumption by 25 basis points, from 7.5% to 7.25%.

Therefore, Wurts & Associates recommends reallocating the 4% from Hedge Fund of Funds as follows:

- 1% into large capitalization domestic equity, increasing the allocation from 24% to 25%.
- 1% into emerging market equity, increasing the allocation from 2% to 3%.
- 1% into global fixed income, increasing the allocation from 1% to 2%.
- 1% into opportunistic fixed income, increasing the allocation from 6% to 7%.

The net effect of these changes as well as Wurts' revised capital market assumptions is that the expected return of the portfolio increases from 8.55% to 8.91% with lower expected volatility –

changing from 11.47% to 11.21%. The lower allocation into hedge funds also lowers the amount of potential "headline" risk in the portfolio.

Enclosed is a Rebalancing Recommendation exhibit that includes the revised policy and the actual allocation as of 12/31/08. The exhibit indicates that there is little rebalancing required in the equity component of the portfolio except for international small cap which should be deferred until the due diligence phase of the implementation is complete. However, given the imminent allocation to TIP's and Opportunistic Fixed Income, the Board needs to rebalance some the fixed income assets to fund these mandates.

Consistent with our recommendation last year, Wurts & Associates recommends eliminating Bradford & Marzec from the manager structure to fund the Opportunistic and TIPs mandates. While the liquidity in the fixed income markets haven't materially improved, Wurts & Associates believes the opportunities within these two mandates justify incurring the heightened transaction costs. Wurts & Associates further recommends that the most illiquid securities within the Bradford portfolio be transferred in kind to the other fixed income managers where we could use more liquid securities to fund the new mandates.

Please feel free to call me anytime at 310.297.1777 should you have any questions about this recommendation.

Fresno County Employees' Retiement Association
Rebalance Recommendation as of 12/31/2008

Asset Class	Manager	Actual $	Actual %	Target %	Target $	Rebalance Estimate	Rebalance Recommendation	New $	New %	Variance to Targets (%)
Domestic Large Cap										
LCC	S&P 500 FLAGSHIP	$112,629,441	5.2%	5.0%	$107,822,033	($4,807,408)	$0	112,629,441	5.2%	**0.2%**
LCG	INTECH	$113,116,210	5.2%	5.0%	$107,822,033	($5,294,176)	$0	113,116,210	5.2%	**0.2%**
LCG	RUSSELL 1000G Index	$71,069,627	3.3%	5.0%	$107,822,033	$36,752,407	$0	71,069,627	3.3%	**-1.7%**
LCV	AJO	$138,037,078	6.4%	5.0%	$107,822,033	($30,215,044)	$0	138,037,078	6.4%	**1.4%**
LCV	WELLINGTON	$111,653,521	5.2%	5.0%	$107,822,033	($3,831,488)	$0	111,653,521	5.2%	**0.2%**
Total Large Cap		$546,505,876	25.3%	25.0%	$539,110,166	($7,395,710)	$0	546,505,876	25.3%	**0.3%**
Domestic Small Cap										
SCG	Kalmar	$82,748,918	3.8%	4.0%	$86,257,627	$3,508,709	$0	82,748,918	3.8%	**-0.2%**
SCV	Brandywine	$92,719,584	4.3%	4.0%	$86,257,627	($6,461,958)	$0	92,719,584	4.3%	**0.3%**
Total Small Cap		$175,468,502	8.1%	8.0%	$172,515,253	($2,953,249)	$0	175,468,502	8.1%	**0.1%**
International Equity										
INT'L Large	Templeton	$151,956,734	7.0%	6.0%	$129,386,440	($22,570,294)	$0	151,956,734	7.0%	**1.0%**
INT'L Large	Oechsle	$111,639,546	5.2%	6.0%	$129,386,440	$17,746,894	$0	111,639,546	5.2%	**-0.8%**
INT'L Small	TBD	$0	0.0%	6.0%	$129,386,440	$129,386,440	$0	0	0.0%	**-6.0%**
EMG MKTS	Mondrian	$103,345,123	4.8%	3.0%	$64,693,220	($38,651,903)	$0	103,345,123	4.8%	**1.8%**
Total International		$366,941,403	17.0%	21.0%	$452,852,540	$85,911,137	$0	366,941,403	17.0%	**-4.0%**
Total Equity		$1,088,915,781	50.5%	54.0%	$1,164,477,959	$75,562,178	$0	1,088,915,781	50.5%	**-3.5%**
Fixed Income										
US CoreFI	Blackrock	$222,430,340	10.3%	4.67%	$100,633,898	($121,796,443)	$0	222,430,340	10.3%	**5.6%**
US CoreFI	Bradford & Marzec	$192,420,086	8.9%	0.0%	$0	($192,420,086)	($192,420,086)	0	0.0%	**0.0%**
US CoreFI	Loomis Sayles	$157,931,225	7.3%	4.67%	$100,633,898	($57,297,327)	$0	157,931,225	7.3%	**2.7%**
US CoreFI	WAMCO	$198,986,080	9.2%	4.67%	$100,633,898	($98,352,182)	$0	198,986,080	9.2%	**4.6%**
Opp. FI	TBD	$0	0.0%	7.00%	$150,950,847	$150,950,847	$149,291,273	149,291,273	6.9%	**-0.1%**
Global FI	GMO	$64,330,423	3.0%	2.0%	$43,128,813	($21,201,610)	$0	64,330,423	3.0%	**1.0%**
Total Fixed Income		$836,098,154	38.8%	23.0%	$495,981,353	($340,116,801)	($43,128,813)	792,969,341	36.8%	**13.8%**
Real Assets	As of 9/30	$98,220,615	4.6%	11.0%	$237,208,473	$138,987,858	$43,128,813	141,349,428	6.6%	**-4.4%**
Hedge Funds	As of 9/30	$14,524,115	0.7%	5.0%	$107,822,033	$93,297,918	$0	14,524,115	0.7%	**-4.3%**
Private Equity	As of 9/30	$118,682,000	5.5%	7.0%	$150,950,847	$32,268,847	$0	118,682,000	5.5%	**-1.5%**
Total Assets		$2,156,440,665	100.0%	100.0%	$2,156,440,664	($0)	$0	2,156,440,665	100.0%	**0.0%**

***$43.1 million into Real Assets represents the 2.0% allocation into TIP's**