



Donald C. Kendig, CPA
Retirement Administrator

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

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DATE: December 7, 2016

TO: Board of Retirement

FROM: Donald C. Kendig, CPA
Retirement Administrator

SUBJECT: **Receive and File Site Visit Reports for the Offices of Northern Trust and Grosvenor visited on September 27, 2016, and Berman De Valerio, Reed Smith and Segal Consulting visited on October 26-27, 2016 – RECEIVE AND FILE**

Recommended Action(s)

1. Receive and file site visit reports for the offices of Northern Trust and Grosvenor visited on September 27, 2016, and Berman De Valerio, Reed Smith, and Segal Consulting visited on October 26-27, 2016.

Fiscal and Financial Impacts

None from the receiving and filing of this written report and any oral reports presented by trustees.

Discussion

On July 20, 2016 the Board authorized interested CII attendees to also attend the site visits scheduled for Northern Trust and Grosvenor on September 27, 2016. Trustees Basua, Baxter, Dowell, and Rogozinski attended the site visits and can report orally.

The Board also authorized interested Nossaman Fiduciary Forum attendees to also attend the site visits scheduled for Berman De Valerio the afternoon of October 26, 2016, Reed Smith the morning of October 27, 2016, and Segal Consulting, the afternoon of October 27, 2016. Trustee Baxter and I attended the site visits and have the following written notes. Agendas of the meetings held are provided in attachment 1.

Berman De Valerio, Reed Smith, and Segal Consulting Report

Berman De Valerio's visit started 2:30 and ended around 5pm. We received an overview of the firm including its history, structure, services, people (about 38 attorneys), and clients. They are a national firm and have seven 1937 act clients (13 total CA plans). The securities monitoring service was the first service we dived into reviewing how the firm identifies, evaluates, and recommends cases. They have our custodial feeds linked to Bloomberg data and can get real time information on how we are affected by news related market moves, and check the feeds twice a year for completeness. Something we

learned was that not all company fraud is a Securities or Antitrust case. We spent some time discussing legal trends and the evolving foreign securities cases. We discussed some of our current losses and how our custodian coordinates the claims and how we could use their system to augment our oversight. Before conducting a tour of the offices, we learned about their data security processes and disaster recovery plan (both satisfactory, meaning good). We have won over \$1.5 million in settlements, with the help of Berman De Valerio, if I am not mistaken. (Materials were not retained by attendees.) They reported amounts at our 2015 Educational Offsite meeting.

Reed Smith's visit started at 9am and ended at 12:45pm. We received a firm overview and presentations on the history of our relationship, the firm's value added services, client data security and its disaster recovery plan, as well as an orientation on its E-discovery and proprietary legal systems. After firm specific information was shared, we discussed the two recent/significant legal developments surrounding fee disclosure (AB2833) and vested rights. We concluded our visit with a multi-floor tour of the offices and the internal services department operations.

In summary we were welcomed kindly and told that not many clients go through the effort to conduct a site visit of a law firm. I highly recommend it. We learned a lot about Reed Smith, who has been servicing FCERA since 2003. Reed Smith is large, with 1,700 lawyers and 26 offices worldwide. Our fiduciary team is comprised of Harvey, Jeff and Maytak and provide us with unparalleled service. At their fingertips is the vast network of associates that they can tap into. I have seen this first hand with their work on investments, real property, litigation, the 1937 act, employment law, and taxes among other specialized services. Their ownership structure also appears to promote collegiality amongst the offices. The firm promotes diversity in its workforce and global citizenship (stewardship) in its service hours and charitable endeavors. We were shown about 6 custom systems that help them in various aspects of internal operations, client service, and case management.

In reviewing our relationship, we covered the many Board policies that they helped with, as well as the PEPRA implementation, health benefit overpayment, and the initial tax qualification filing, just to name a few. They were also party to a number of notable litigations: "Fresno Method," FCERA v North Central and PPP, and Stillman, Chisom, and Johnson v FCERA.

We discussed the importance of holding records during discovery (also mentioned at Berman De Valerio). They demonstrated their technology using their video conferencing infrastructure to connect with New York in order to discuss the two major legal cases. They had a floor devoted to conferencing and training.

Given the size of their firm, their disaster recovery and data security is institutionalized and comprehensive (satisfactory).

Segal's visit started at 1pm and ended at 3:15pm. We met the team of actuaries servicing our account and for our meeting topics, we reviewed Segal's answer contained in their response to our Request for Proposal (RFP), learned about the valuation process, and discussed sensitivity analyses and the potential for other forecast models. We also toured the office and met other actuaries servicing the other Segal accounts. (Note: Trustees Basua, Baxter and I conducted a video conference with Cheiron and a virtual tour of their offices, not a part of this report, but a part of the review activities for the Actuary RFP review process.)

Background

Attachment 2 is an update (as of 11/14/2016) of the status report of service provider diligence, which provides several important data points. In summary:

- FCERA has 46 investment mandates with 33 investment managers. (Additional mandates are in the pipeline.)
- FCERA has an additional 12 relationships with other “high scrutiny” service providers.
- Brndywine and Grosvenor presented to the Board at its Educational Offsite on October 20, 2016.
- Eaton Vance presented to the Board on October 5, 2016 and will have a site visit in early 2017.
- Grosvenor, based in Chicago, had a site visit in July by Verus and trustees conducted a site visit on September 27, 2016.
- Waddell and Reed, now named Ivy, presented to the Board on August 3, 2016.
- Northern Trust, based in Chicago, was visited on September 27, 2016.
- Segal Consulting, based in San Francisco, was visited October 27, 2017.
- Reed Smith, based in San Francisco, was visited on October 27, 2016 before the Nossaman Fiduciary Forum. See discussion to follow in this Board letter on participation in the site visit.
- Berman De Valerio, was visited on October 26, 2016 before the Nossaman Fiduciary Forum. See discussion to follow in this Board letter on participation in the site visit.

Attachment 3 is the proposed due diligence plan for Non-Investment Related High Scrutiny providers, outlining proposed visit dates as indicated above, for the Board’s approval. You will see that staff proposes visiting Foster Pepper during Verus’ next client conference in Seattle, but that a site visit is not recommended of Verus. Verus hosts numerous clients at that time and staff feels that it would be more appropriate to visit the El Segundo office during the next cycle in 3rd quarter of 2018.

On June 3, 2015 the Board reviewed and approved attachment 4, its due diligence policy, and attachment 5, the site visit plan by Verus, both provided as reference.

Attachments

1. Site Visit Agendas
2. Updated Due Diligence Status Report as of 11/14/2016
3. Due Diligence Plan by FCERA Staff for 2016-17
4. Due Diligence Policy (as reference)
5. Due Diligence Plan for 2015-16 for Investment by Verus (as reference)



Fresno County Employees' Retirement Association Meeting Agenda

Tuesday, September 27th

Start: Canal Building, 801 S. Canal Street: C3N Executive Conference Room

End: Main Bank Building, 50 S. LaSalle Street: Conference Room TBD

Topic/Item

9:00am - 9:30am Welcome
 Introductions / Northern Trust Update

Custody: Tour of Operation

9:30 – 9:45 Benefit Payments

 Servicing 3rd Party Investment Managers
 Global trade processing

9:45 -10:45 Income collection
 Proxy and Class actions
 Alternative Investment Solutions

10:45 -11:00 **Travel to Northern Trust Main Office**
 50 S. LaSalle Street

Service Review

11:00 – 12:00

- Update on Securities Lending
- Overview of Current Services Provided

12:00 – 1:00 Working Lunch

- Review of Potential Services
- Fees

1:00 - 1:15 Concluding Remarks

Fresno County Employees' Retirement Association
 Tuesday, September 27, 2016

Mr. Donald Kendig, CPA – Retirement Administrator
 Ms. Laura Basua – Trustee
 Mr. Gregory Baxter – Trustee
 Mr. Robert Dowell – Trustee
 Ms. Mary Ann Rogozinski – Trustee

Location:

GCM Grosvenor
 900 North Michigan Avenue,
 Suite 1100
 Chicago, IL 60611
 T +1-312-506-6541
 M +1-312-213-2957
lkastigar@gcmlp.com

Topic

2:00 – 2:30pm	Welcome from Team and Firm Discussion	Paul Meister Girish Kashyap Paul Guercio Andrew Preda Lisa Kastigar
2:30 – 3:00pm	Investment Discussion <ul style="list-style-type: none"> • <i>FCERA Portfolio</i> • <i>Investment Themes</i> • <i>Investment Outlook</i> 	David Richter Robert Fu Andrew Preda Lisa Kastigar
3:00 – 3:30pm	Operational Due Diligence Discussion <ul style="list-style-type: none"> • <i>Initial and On-going Operational Due Diligence</i> 	Ivaldo Basso Lisa Kastigar
3:30 – 4:00pm	Risk Management Discussion <ul style="list-style-type: none"> • <i>Quantitative and Qualitative Factors</i> • <i>Portal Demonstration</i> 	Jennifer Stack Lisa Kastigar
4:00-4:30pm	Due Diligence Questionnaire Q&A	Lisa Kastigar
4:30-5:00pm	Office Tour	Lisa Kastigar
6:00pm	Dinner: Nico Osteria 1015 N Rush Street Chicago, IL 60611 Tel: 312.994.7100 http://www.nicoosteria.com/	Under "Kastigar"

Paul A. Meister, CPA, J.D., Vice Chairman, Office of the Chairman

Mr. Meister is the firm's Vice Chairman and serves as Chair of the Operations Committee. Prior to joining GCM Grosvenor in 1991, from 1987 to 1991, Mr. Meister was an Associate with the Chicago law firm of Barack, Ferrazzano, Kirschbaum & Perlman, except for a 12-month period from 1989 to 1990, when he managed the real estate operations for a retail company. He received his Bachelor of Science in Accountancy with high honors from the University of Illinois at Urbana-Champaign in 1984 and his Juris Doctor cum laude from Northwestern University School of Law in 1987, where he was a member of the Northwestern University Law Review and was Order of the Coif. Mr. Meister is a Certified Public Accountant and a member of the Illinois Bar. Since 2000, Mr. Meister has served on the Law Board of Northwestern University School of Law and is currently a member of its Executive Committee. Mr. Meister is also an Adjunct Professor at Northwestern University School of

Law and teaches a course covering, among other things, hedge fund strategies and regulation. He also previously served on the Board of the Managed Funds Association as an Appointed Director.

[Girish S. Kashyap, J.D., Senior Vice President, Legal and Compliance](#)

Mr. Kashyap is a member of the firm's Legal and Compliance Department and leads the Public Markets Investment Product Committee. He specializes in structuring investment vehicles, product offerings, and business relationships. Mr. Kashyap also shares responsibility for managing various legal and compliance functions on a day-to-day basis. Additionally, Mr. Kashyap serves as Chief Legal Officer, Vice President, and Secretary of the Grosvenor Registered Multi-Strategy Funds. Prior to joining GCM Grosvenor, Mr. Kashyap practiced in the Investment Management Group at K&L Gates LLP. He received his Bachelor of Arts summa cum laude in Psychology from the University of Southern California in 2002 and his Juris Doctor from Boston University School of Law in 2005. Mr. Kashyap is a member of the Illinois Bar and the Massachusetts Bar.

[Paul D. Guercio, CPA, Senior Vice President, Finance](#)

Mr. Guercio leads fund finance operations of GCM Grosvenor Public Markets. Prior to joining GCM Grosvenor, he was an Auditor for PricewaterhouseCoopers, LLP. He received his Bachelor of Arts with honors in Accounting from Illinois Wesleyan University in 1999. He is a Certified Public Accountant.

[Andrew T. Preda, Senior Vice President, Investments](#)

Mr. Preda serves as a Public Markets Portfolio Manager on multi-strategy portfolios as well as other specialized strategies and custom mandates. Mr. Preda leads activities related to the construction, implementation and monitoring of portfolios. Prior to joining GCM Grosvenor, from 2004 to 2007, Mr. Preda was a Vice President and Underwriting Team Leader at Madison Capital Funding, L.L.C., a Chicago-based provider of leveraged capital products for private equity sponsors. Mr. Preda was responsible for structuring, underwriting, negotiating, closing, and managing both Madison-led transactions and participation transactions. From 1998 to 2004, Mr. Preda was in the Mergers & Acquisitions Group of Banc One Capital Markets, where he focused on providing investment banking advisory services to the bank's middle market and large corporate clients. From 1993 to 1998, he was a Relationship Manager with the Market Commercial Banking Subsidiary at American National Bank and Trust Company of Chicago. Mr. Preda received his Bachelor of Arts in Political Science from the University of Michigan in 1993 and his Master of Business Administration from the University of Chicago Booth School of Business in 2003.

[David S. Richter, CPA, Public Markets Investment Committee Chair, Managing Director](#)

Mr. Richter is Chair of the Public Markets Investment Committee, is Co-Head of Public Markets Research and serves on the Global Investment Council. Mr. Richter is also a member of the Special Opportunities Investment Committee. Mr. Richter approves public markets portfolio allocations and shares responsibility for the evaluation, selection and monitoring of various investment strategies and investment managers. Prior to joining GCM Grosvenor, from 1994 through 2002, he was the Founder and Managing Partner of Chicago-based Waveland Capital Management, L.P., a U.S. long/short equity hedge fund affiliated with GCM Grosvenor. From 1988 to 1994, Mr. Richter was a Vice President of JMB Realty Corporation in the Corporate Acquisitions Group. Prior to 1988, Mr. Richter was a Manager of KPMG Peat Marwick. He graduated summa cum laude with his Bachelor of Science in Accountancy from the University of Illinois at Urbana-Champaign in 1983. Mr. Richter is a Certified Public Accountant and received the national AICPA Elijah Watt Sells Award from the American Institute of CPAs for his scores on the Uniform CPA Examination.

[Robert Z. Fu, CFA, Senior Vice President, Investments](#)

Mr. Fu is a member of the Public Markets Research Team. He is the Strategy Head of macro and relative value strategies. He is also a Portfolio Manager. Prior to joining GCM Grosvenor, from 2008 to 2011, he was the Strategy Head of Tactical Trading & Relative Value at Attalus Capital. From 2003 to 2008, he was a Portfolio Manager and Quantitative Analyst at Martello Investment Management. Early in his career, he held various engineering roles at Kimberly Clark Corporation. Mr. Fu graduated summa cum laude with his Bachelor of Science in Electrical Engineering and Mathematics from the University of Arizona in 1995 and received his Master of Business Administration from the University of Chicago Booth School of Business in 2003. He holds the Chartered Financial Analyst® designation.

[Ivaldo M. Basso, CPA, Head of Investment Operations, Managing Director](#)

Mr. Basso heads the Finance Department's Investment Operations, including the Operational Due Diligence Team, Trade Management Team and Treasury Team. Mr. Basso is primarily responsible for operational due diligence matters, including evaluating the operational infrastructure of investment managers and negotiating terms of investments. Prior to joining GCM Grosvenor, from 2002 to 2004, Mr. Basso worked in the Financial Services Industry Practice for Ernst & Young, L.L.P. in its Chicago office. From 1994 to 2002, he worked in the same capacity for Arthur Andersen, L.L.P. in its Chicago office. He received a Bachelor of Science in Accounting from Northern Illinois University in 1994. He is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants and the Illinois CPA Society.

[Jennifer N. Stack, Ph.D., Head of Risk Management, Managing Director](#)

Ms. Stack is Head of Public Markets Risk Management and serves on the Global Investment Council. Ms. Stack and her team are responsible for independently reviewing each potential investment manager, assessing the risk in portfolios in conjunction with the Public Markets Portfolio Management Team, and working with the Information Technology Team to build and deploy analytical tools. She graduated summa cum laude with her Bachelor of Arts in Economics and Mathematics from Wellesley College in 2001. She was a National Science Foundation Graduate Research Fellow at Harvard University, where she completed her Doctor of Philosophy in Economics in 2005.

[Lisa A. Kastigar, Director, Business Development](#)

Ms. Kastigar shares responsibility for business development, client service and consultant relations. Prior to joining GCM Grosvenor, she was the Director of Research at Marco Consulting Group, where she guided asset allocation studies, research and investment manager due diligence. A subset of her responsibilities was leading fund of hedge funds research, which included client education, due diligence, on-going monitoring, and reporting. She also worked at the Federal Reserve Bank of Chicago and at the Financial Services Authority in London as a financial markets regulatory policy economist. She began her career in the financial industry working on the derivatives exchanges of the CME Group. Ms. Kastigar received her Bachelor of Science in Business Economics from Marquette University and her Master of Business Administration from the University of Chicago Booth School of Business.



BERMAN DEVALERIO

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
DUE DILIGENCE VISIT TO BERMAN DEVALERIO'S SAN FRANCISCO OFFICE**

One California Street, Suite 900

OCTOBER 26, 2016

AGENDA 2:00pm to 4:00pm

- I. FIRM OVERVIEW – 20 min
 - a. Overview of the Firm's history, structures, services, people, clients and successes

- II. SECURITIES MONITORING SERVICES – 30 min
 - a. Discussion of how the Firm identifies, evaluates and recommends cases, including the Firm's philosophy of case recommendations

 - b. The systems
 - i. Discussion of various monitoring databases, including
 - 1. Proprietary Online Portfolio Monitoring System
 - 2. Port
 - ii. Discussion of other database resources

- III. LITIGATION – 30 min
 - a. FCERA and Berman Relationship

 - b. Past cases for FCERA

 - c. Current cases for FCERA
 - i. *In re Foreign Exchange Benchmark Rates Antitrust Litigation*, No. 13-cv-07789 (S.D.N.Y.)

 - d. Non-securities services
 - i. Antitrust/Commodities cases
 - ii. Disputes with money managers and consultants
 - iii. Private equity issues

- IV. LEGAL TRENDS - 10 min
 - a. Recent statistics for federal securities fraud cases
 - b. Recent issues in securities cases
 - c. Foreign securities cases

- V. OFFICE TOUR – 15 min

AGENDA

Fresno County Employees' Retirement Association Site Visit
Thursday, October 27, 2016
9:00 am to 12:30 pm

Location:

REED SMITH LLP
101 Second Street, Suite 1800
San Francisco, CA 94105
hleiderman@reedsmith.com
415.659.5914 Office
415.385.5566 Cell

1.	Firm Overview	Harvey Leiderman
2.	History of the FCERA/Reed Smith Relationship and the Firm's Value-Added Services	Harvey Leiderman Jeffrey Rieger Tiffany Thomas
3.	Client Data Security and Reed Smith Disaster Recovery Emergency Plan	Annie Lathram, Office Manager
4.	Demo: Proprietary Legal Systems – “e-discovery”	Maytak Chin
5.	Two recent key legal developments – fee disclosure legislation and vested rights litigation	Sandra Poe (by video) Jeffrey Rieger
6.	Due diligence Q&A and working lunch	Group
7.	Office Tour	Rene Campos, Office Services Supervisor

AGENDA

Fresno County Employees' Retirement Association Site Visit
Thursday, October 27, 2016
1:00 pm to 3:00 pm

Location:

Segal Consulting
100 Montgomery Street, Suite 500
San Francisco, CA 94104

1. Introduction of Segal's FCERA team
2. Review answers to FCERA's request for proposal.
3. Overview of actuarial valuation process
 - Data validation process
 - Review sample test cases
 - Highlight of Segal's valuation software
 - Peer review process
4. Discuss actuarial methodologies and trends with respect to California public pension systems
5. Sensitivity analyses - using deviations in future investment return to illustrate change in future contribution rates, funded ratios, etc.
6. Office Tour

FCERA Annual Due Diligence Activities (III.4.)

As of:
11/14/2016

	Service Provider	Contact	Original Contract Date	Latest Contract Date	Term Period	Last Onsite Date	Last Meeting Date	Last Fee Review	Watch /RFP?	Area
Investment Managers - Existing Managers: 3 year rotations for on-sites (III.1.c.)										
1	1 AJO	Ted Aronson	12/4/1995	12/4/1995	Evergreen	9/9/2016	2/3/2016	12/4/1995	No	Domestic Equity
2	2 Angelo Gordon VII	Fatma Luy	2010	2010	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Credit
3	3 Artisan Partners	Jodi Helffenstein	3/13/2013	3/13/2013	Evergreen	9/23/2015	4/6/2016	3/13/2013	No	International Equity
4	4 Barclays	Yoon Seung	4/30/2014	4/30/2014	Evergreen	n/a -	n/a -	n/a -	n/a -	Fixed Income
5	5 Blackstone IV	John McCormick	2002	2002	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Equity
6	6 Brandywine	Gregory Zavoyna	2/1/2015	2/1/2015	Evergreen	3/1/2016	10/20/2016	2/1/2015	No	Fixed Income
7	7 CarVal III	Ryan Savell	2015	2015	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Credit
8	8 Colony Capital I	Ryan McManus	2009	2009	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Credit
9	Colony Capital III	Ryan McManus	2009	2014	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Credit
10	9 Convergenx	John Seyler	2/4/2014	2/4/2014	Evergreen	n/a *	1/20/2016	2/4/2014	No	Commission Recap.
11	10 Eaton Vance	Kristen Gaspar	10/1/2014	10/1/2014	Evergreen	2017	10/5/2016	10/1/2014	No	Fixed Income
12	11 Gerding Edlen III	Molly Bordonaro	2016	2016	Closed End	n/a +	n/a ++	n/a +	n/a +++	Real Estate
13	12 Grosvenor	Lisa Kastigar	10/31/2009	10/31/2009	Evergreen	9/27/2016	10/20/2016	8/17/2016	No	Hedge Fund of Funds
14	Grosvenor BFF	Lisa Kastigar	8/17/2016	8/17/2016	Evergreen	9/27/2016	10/20/2016	8/17/2016	No	Hedge Fund Advisory
15	13 GSO	Susan Burkhardt	2015	2015	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Credit
16	14 Hamilton Lane VI	Randy Stilman	2007	2007	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Equity
17	Hamilton Lane IX	Randy Stilman	2007	2016	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Equity
18	15 Invesco Comm.	Delia Rogers	5/27/2015	5/27/2015	Evergreen	3/1/2016	4/1/2015	5/27/2015	No	Commodities
19	Invesco R/E	Delia Rogers	10/1/2007	10/1/2007	Evergreen	3/1/2016	4/1/2015	10/1/2007	No	Real Estate
20	16 Kalmar	Jeff Stroble	11/30/2004	11/30/2004	Evergreen	8/1/2015	12/2/2015	11/30/2004	No	Domestic Equity
21	17 Kennedy Wilson V	Michael Macias	2016	2016	Closed End	n/a +	n/a ++	n/a +	n/a +++	Real Estate
22	18 KKR	Dan McLuaghlin	2010	2010	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Credit
23	19 Landmark X	Chad Alfred	2000	2000	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Equity
24	Landmark XIV	Chad Alfred	2000	2008	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Equity
25	20 Lone Star IV	Ben Sarly	2002	2002	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Credit
26	21 Loomis Sayles	Stephanie Lord	7/5/2001	10/1/2014	Evergreen	2017	5/4/2016	10/1/2014	No	Fixed Income
27	22 Mondrian	James F. Brecker	11/2/2009	11/2/2009	Evergreen	10/1/2015	2/4/2015	11/2/2009	No	International Equity
28	Mondrian	James F. Brecker	11/17/2005	11/17/2005	Evergreen	10/1/2015	2/4/2015	11/17/2005	No	Emerging Markets
29	23 New Mountain	Adam Weinstein	1999	1999	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Equity

FCERA Annual Due Diligence Activities (III.4.)

As of:
11/14/2016

	Service Provider	Contact	Original Contract Date	Latest Contract Date	Term Period	Last Onsite Date	Last Meeting Date	Last Fee Review	Watch /RFP?	Area
30	New Mountain III	Adam Weinstein	1999	2007	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Equity
31	24 Oaktree IX	Francie Maletis	2012	2012	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Credit
32	25 OHA SC II	tbd	2016	2016	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Credit
33	26 PIMCO EM Local	Sasha Talcott	7/31/2013	7/31/2013	Evergreen	3/1/2016	5/6/2015	7/31/2013	Yes	Fixed Income
34	27 SSgA	Sonya Park	3/23/2004	3/23/2004	Evergreen	n/a -	n/a -	n/a -	n/a -	Domestic Equity
35	SSgA	Sonya Park	2/27/2009	2/27/2009	Evergreen	n/a -	n/a -	n/a -	n/a -	TIPS
36	28 Systematic	Scott N. Garrett	10/8/2010	10/8/2010	Evergreen	2/1/2016	12/2/2015	10/8/2010	No	Domestic Equity
37	29 TA Associates IX	Kerry Gallagher	2009	2009	Closed End	n/a +	n/a ++	n/a +	n/a +++	Real Estate
38	30 TPG Strategic CR II	Brian D'Arcy	2016	2016	Closed♦♦	n/a +	n/a ++	n/a +	n/a +++	Private Credit
39	TCW III	Mark Attanasio	1998	1998	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Credit
40	TCW IV	Mark Attanasio	1998	2002	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Credit
41	31 Waddell & Reed (Ivy)	Clayton Johnston	12/17/2010	12/17/2010	Evergreen	6/1/2015	8/3/2016	12/17/2010	Yes	Domestic Equity
42	32 Warburg Pincus	Kathleen Allen	1998	1998	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Equity
43	Warburg Pincus VIII	Kathleen Allen	1998	2001	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Equity
44	Warburg Pincus X	Kathleen Allen	1998	2007	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Equity
45	Warburg Pincus XII	Kathleen Allen	1998	2015	Closed End	n/a +	n/a ++	n/a +	n/a +++	Private Equity
46	33 Western Asset	Frances Coombes	5/5/2005	5/5/2005	Evergreen	5/1/2015	5/4/2016	5/5/2005	No	Fixed Income
Investment Consultant(s) - Term limitations: 3 years with 2 1-year extensions (III.2.e.)										
47	34 Verus	Jeff MacLean	7/1/2002	5/19/2011	Evergreen **	9/1/2015	Monthly	Annual 10k		Non Discr. Gen
Actuary - Term limitations: 3 years with 2 1-year extensions (III.2.e.)										
48	35 Segal Consulting	Paul Angelo	2/7/2007	7/16/2014	2 years *	10/27/2016	Annually	7/16/2014		Actuarial Services
Custodian - Term limitations: 3 years with 2 1-year extensions (III.2.e.)										
49	36 Northern Trust	Robert Ernst	4/1/2013	4/1/2013	Evergreen	9/27/2016	4/3/2013	4/1/2013		Custody Services
External Auditor - Term limitations: 3 years with 2 1-year extensions (III.2.e.)										
50	37 Brown Armstrong	Connie Perez	3/15/2006	3/2/2016	6/30/18 Audit	2017	Annually	4/13/2016		Annual Fin Audits

FCERA Annual Due Diligence Activities (III.4.)

As of:
11/14/2016

	Service Provider	Contact	Original Contract Date	Latest Contract Date	Term Period	Last Onsite Date	Last Meeting Date	Last Fee Review	Watch /RFP?	Area
Retained Attorneys - Term limitations: 3 years with 2 1-year extensions (III.2.e.)										
51	38 Reed Smith	Harvey Leiderman	11/1/2006	11/1/2006	Evergreen	10/27/2016	As needed	11/1/2006		Fiduciary Counsel
52	39 Baker Manock	Ken Price	42340	42340	3 + 3/1yr	11/9/2015	Regular	12/2/2015		Board Counsel
53	40 Berman De Valerio	Nicole Lavallee	9/9/2006	9/9/2006	Evergreen	10/26/2016	As needed	Contingency		Securities Litigation
54	41 BLBG	Blair Nicolas	12/16/209	12/16/209	Evergreen	11/17/2015	As needed	Contingency		Securities Litigation
55	42 Cohen Milstein	Julie Reiser	12/16/2009	12/16/2009	Evergreen	As needed	As needed	Contingency		Securities Litigation
56	43 Foster Pepper	Rafael Stone	10/15/2008	10/15/2008	3 + 2/1yr	2017	As needed	10/15/2008		Securities Litigation
Miscellaneous										
57	44 Linea Solutions	Bryce Haws	8/1/2010	6/3/2016	5.5 years	As needed	6/3/2015	6/3/2016		IT Support
58	45 Tegrit	Tim Faust	10/19/2011	6/3/2016	Proj. duration	As needed	6/3/2015	6/3/2016		Arrivos

Notes

- * Valuations for 6/30/2015 and 2016, and triennial 6/30/2015 experience study.
- ** Fee amendment, with automatic escalator, and payment frequency amendment.
- + Illiquid investments are subject to the due diligence of the hired investment consultants.
- ++ Regular meetings are not required for illiquid investments. Last meeting date would be the finals presentation.
- +++ Watch or RFP recommendations are not normally applicable for illiquid investments; however, watch (or sell) will be noted when serious.
- Passive index funds are not subject to the same level of due diligence requirements.
- Std. Standard RFP Schedule as outlined in the Due Diligence Policy
 - ◆ Onsite determined not cost effective
 - ◆◆ Closed End Vehicle (renewable investment and harvest periods)

Annual Due Diligence Plan for Non-Investment Related High Scrutiny Providers

Other Provider 3-year Onsite Visit Plan (Schedule) for 2016-17

Provider	City	State	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Segal Consulting	San Francisco	CA		X										
Reed Smith	San Francisco	CA		X										
Berman De Valerio	San Francisco	CA		X										
Brown Armstrong**	Bakersfield	CA				X								
BLBG*	San Diego	CA												
Linea Solutions	Santa Monica	CA					X							
Northern Trust	Chicago	IL	X											
Cohen Milstein***	New York	NY												
Foster Pepper****	Seattle	WA					X							
Verus****	El Sgundo/Seatle	CA/WA									X			
Baker Manok	Fresno	CA						X						
			1	3		1	3							

* Site visit during the week of the SACRS Conference

** Site visit during the next client training opportunity early 2017

*** Site visit initially determined not to be cost effective, coordinate with trip to New York.

**** Visit El Segundo Office

***** Site visit before or after Verus client conference

**FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (FCERA)
DUE DILIGENCE POLICY**

I. INTRODUCTION

- 1) The Board of Retirement of FCERA (the "Board") recognizes and affirms its constitutional and statutory fiduciary duty to prudently administer the retirement system for the exclusive benefit of the members and their beneficiaries. Prudent administration requires the Board to ensure effective due diligence processes are in place with respect to existing and prospective service providers.
- 2) Due diligence shall be defined as those activities undertaken by FCERA or by agents of FCERA to determine:
 - a) The suitability of prospective FCERA service providers;
 - b) The continued suitability of current FCERA service providers;
 - c) The accuracy of information provided, and/or claims made, by current or prospective service providers about their services, capabilities, or other factors which may influence FCERA's decision to retain the service provider;
 - d) Changes in the service provider's personnel, ownership structure, strategies, or other attributes, which may affect the suitability of a service provider in the future; or
 - e) Appropriateness of fees.
- 3) All due diligence activities shall be conducted in compliance with the Brown Act, with confidential or proprietary information, deemed to be protected, being retained by the FCERA service providers.

II. PURPOSE

- 1) This policy is intended to be the primary document that articulates the Board's due diligence function.

III. GUIDELINES

- 1) General Due Diligence Provisions
 - a) The Retirement Administrator shall be responsible for performing or causing to be performed all necessary due diligence activities in connection with current or prospective service providers in accordance with the policies of this Board.
 - b) The Retirement Administrator shall ensure due diligence activities of FCERA are consistent with industry best practices for funds similar in size as FCERA, or, where

- feasible, exceed the practices of such funds. Due Diligence activities may include, and are not limited to:
- i. Analysis of performance records, financial statements, technical standards and practices, and advisor reports filed with federal and state governments;
 - ii. Meetings and interviews;
 - iii. Research on industry trends and developments;
 - iv. On-site due diligence visits; and
 - v. Third-party evaluations.
- c) The Board expects the Retirement Administrator will subject all current and prospective service providers to appropriate levels of due diligence, which reflects the materiality of the service provider relations in question. The Board expects certain types of services providers will be subjected to high levels of scrutiny, including but not limited to:
- i. Investment managers
 - ii. Investment consultant(s)
 - iii. Actuaries
 - iv. Custodians
 - v. External auditors
 - vi. Attorneys
- d) FCERA investments made through general partnerships will require prudent, cost effective due diligence at a requisite level which reflects their relatively small weighting within FCERA's portfolio. It is expected FCERA will rely primarily on its investment consultant(s) to perform such due diligence on FCERA's behalf.
- e) In determining the most effective and appropriate approaches for due diligence review, the Retirement Administrator will consult with FCERA's investment consultant and financial auditor, or any other advisors or consultants as the Administrator may deem appropriate.
- f) The Retirement Administrator is authorized to direct FCERA's investment consultant or financial auditor, or other advisors or consultants as the Administrator may deem appropriate, to conduct independent due diligence evaluations on FCERA's behalf, and to provide written reports of their findings to the Retirement Administrator and/or the Board. Should direction fall outside the scope of the agreement with the

consultant or financial auditor, the Retirement Administrator has the authorization to incur additional fees, not to exceed \$50,000 per calendar year.

- g) Board members will be afforded the opportunity to attend on-site due diligence visits involving current and prospective service providers.

2) Current Service Providers - On-site Due Diligence

- a) The Retirement Administrator shall provide the Board an annual due diligence plan for current service providers, which delineate the on-site due diligence visits planned for each year and the parties leading the visits (i.e. staff or advisors). The Retirement Administrator will, in a timely manner, inform the Board of changes within the due diligence plan.
- b) On-site due diligence should occur on a three-year rotational basis, covering active managers based upon 1d above, excluding index managers:
 - i. Domestic and international equity managers;
 - ii. Fixed income, commodities, real estate managers; and
 - iii. Other managers which provide reasonable liquidity for redemption.
- c) More frequent on-site due diligence visits may be necessary if significant personnel changes, deterioration of investment returns, or unresolved issues relating to the manager, occur between triennial reviews.
- d) The Retirement Administrator, with the assistance of the investment consultant, shall be responsible for ensuring detailed procedures are established to construct how due diligence visits are conducted, ensuring the visits are completed in a rigorous, consistent, and systematic manner. These procedures will be provided to Trustees attending the due diligence visits, assisting them in effectively completing their oversight function.
- e) The Board believes periodically reviewing its contracts with primary service providers represents good fiduciary practice. The Board further recognizes the issuing of a Request for Proposal (RFP) on a required specified frequency, regardless of the circumstances, may not represent an efficient use of FCERA resources, and may have other unintended consequences. Accordingly, for each of the primary service providers listed below, contracts will be issued for a triennial period with, at the Board's discretion, two additional one-year periods may be issued. The Retirement Administrator will, at least every five years, provide the Board with a recommendation as to whether FCERA should formally review the contracts in question by issuing a RFP, or by initiating other appropriate forms of inquiry:
 - i. Actuary

- ii. Investment Consultant(s)
 - iii. Outside legal counsel
 - iv. Custodian
 - v. Financial auditor.
- f) Notwithstanding the above paragraph 5.f, any Board member may recommend to the Board a specific service provider contract be reviewed using an RFP or other appropriate form of inquiry.
- 3) Prospective Service Providers – Due diligence
- a) Due diligence for prospective service providers may include the same processes used for current service providers, in addition to any other processes deemed appropriate by the Retirement Administrator for the following types of prospective service providers:
 - i. Investment managers
 - ii. General partners
 - iii. Investment consultants
 - iv. Custodians
 - b) When recommending to the Board the engagement of an investment manager or service provider, the Retirement Administrator shall provide the Board with a description of the conducted due diligence activities, confirming to the Board all FCERA due diligence policies and procedures were adhered.

4) Reporting

Following each due diligence visit, the Retirement Administrator shall provide to the Board, at the next practicable regular Board meeting, a report summarizing the findings and recommendations of the reviewing team. The Administrator shall make any materials obtained during the on-site visit available to Board members and FCERA staff for reference purposes. The Retirement Administrator will report the prior year due diligence activities along with the annual on-site due diligence plan for the following year.

5) Quiet Periods

Upon the Board approving the initiation of a search for new investment managers or service providers, the Board will enter a “quiet period.” Board members are expected to refrain from any direct contact with prospective managers or service providers

sought by the search, other than open meeting discussions, open meeting interviews, and on-site visits as described herein. The quiet period will end once a contract is signed or the Board formally cancels a search. These stipulations shall be included in all RFPs. Service providers who fail to honor the quiet-period may be subject to disqualification.

IV. POLICY REVIEW

- 1) The Board shall review this Due Diligence Policy at least every three (3) years, ensuring it remains relevant and appropriate. This policy may be amended from time to time by a majority of the Board.

V. POLICY HISTORY

The Board of Retirement adopted this policy on August 3, 2005.

The Board of Retirement reviewed and modified this policy on April 4, 2007.

The Board of Retirement reviewed and modified this policy on March 19, 2008.

The Board of Retirement reviewed this policy on August 4, 2010.

The Board of Retirement reviewed and modified this policy on January 15, 2014.

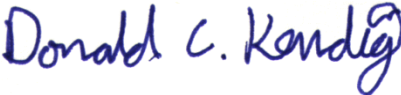
The Board of Retirement reviewed and modified this policy on June 3, 2015.

VI. Secretary's Certificate

I, Donald Kendig, the duly appointed Secretary of the Fresno County Employees' Retirement Association, hereby certify the adoption of this Policy.

June 3, 2015

Date of Action:



By: Retirement Administrator



Tentative Schedule for FCERA Onsite Visits

			1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Western Asset	Pasadena	CA	17-Mar											
Systematic	New Jersey	NJ								✓				
Grosvenor	Chicago	IL					✓							
Waddell & Reed	Overland Park	KS		25-Jun										
Loomis Sayles	Boston	MA										✓		
Wellington	Boston	MA										✓		
Mondrian	London	UK				7-Oct								
Kalmar Investments	Wilmington	DE		20-May										
AJO	Philadelphia	PA			9-Sep									
Brandywine	Philadelphia	PA			9-Sep									
Invesco	Dallas	TX				1-Dec								
Eaton Vance	Boston	MA										✓		
Artisan Partners	San Francisco	CA			23-Sep									
PIMCO	Newport Beach	CA							✓					
Research Affiliates	Newport Beach	CA							✓					
			1	2	3	2	1	0	2	1	0	3	0	0