

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

"Our mission is to administer the retirement benefits for the members and beneficiaries in a prudent, accurate, timely and cost-effective manner, while administering fund assets in a manner that achieves investment and funding objectives within prudent levels of risk"

March 1, 2017

**REGULAR MEETING AGENDA
ACTION SUMMARY MINUTES**

[AN AUDIO RECORDING OF THE OPEN SESSION DISCUSSION ITEMS CAN BE FOUND ON OUR WEBSITE AT
WWW.FCERA.ORG](http://WWW.FCERA.ORG)

Trustees Present:

Laura P. Basua
Robert Dowell
Nathan Magsig

Alan Cade, Jr.
Eulalio Gomez
Mary Ann Rogozinski, Alternate

Dr. Rauden Coburn, III
Steven J. Jolly

Trustees Absent:

Gregory Baxter

Oscar J. Garcia

Staff and Service Providers Present:

Doris Rentschler, Assistant Retirement Administrator
Elizabeth Avalos, Executive Assistant
Craig Armstrong, Board Counsel
Matthew Gonzalez, Retirement Specialist
Michael Kamell, Verus
Jim Brecker, Mondrian
Andrew Miller, Mondrian
Aiden Nicholson, Mondrian
Chad Schmidt, IT Services
Shaun Apperson, Core Business Interiors

Members of the Public that Addressed the Board:

Yves Chery, LACERA Board Trustee; SACRS Operations Oversight Committee Vice Chair; and SACRS Immediate Past President

1. Call to Order

Chair Coburn called the meeting to order at 8:33 AM, noting that Trustees Baxter, Cade, and Garcia were absent as well as the Retirement Administrator, Donald Kendig.

2. Pledge of Allegiance

Recited.

3. Public Comment

Yves Chery gave a brief update on the upcoming SACRS Board of Directors Elections, encouraging the participation of the Board Members. In addition, Mr. Chery invited the Board to visit the new SACRS Board of Directors website. A brief Q&A period regarding LACERA's funding status and current Rate of Return followed.

Trustee Jolly joined the Board at 8:34 AM.

4. Consent Agenda

A MOTION WAS MADE BY TRUSTEE MAGSIG, SECONDED BY TRUSTEE GOMEZ, TO APPROVE/ACCEPT CONSENT ITEMS 4.A. THROUGH 4.H. AS PRESENTED. VOTE: UNANIMOUS. ABSENT – BAXTER, CADE, GARCIA.

- A. Receipt and Filing of Public Records Requests and/or Retirement Related Correspondence – **RECEIVED AND FILED**
- B. Receipt and Filing of the FCERA Cash Flow Position as of January 2016 – **RECEIVED AND FILED**
- C. Receipt and Filing of Verus Organizational Update – **RECEIVED AND FILED**
- D. Receipt and Filing of Educational Attendance Reports from Donald Kendig, Retirement Administrator and Doris Rentschler, Assistant Retirement Administrator – **RECEIVED AND FILED**
- E. Approval of Retirements for February 2017 – **APPROVED**
- F. Approval of Travel Request from Trustee Eulalio Gomez to attend the CALAPRS Reciprocity Roundtable on April 25, 2017 in Los Angeles CA – **APPROVED**
- G. Approval of Travel Requests from Trustee Gregory Baxter to attend the Pension Bridge Annual on April 18-19, 2017 in San Francisco CA and the IFEBP 2017 Trustees Institute on June 26-28, 2017 in San Diego CA – **APPROVED**
- H. Approval of Due Diligence Site Visit Participation by Trustee Steven Jolly – **APPROVED**

5. Minutes

- A. Consideration of the February 15, 2017 Retirement Board Regular Meeting Minutes

A MOTION WAS MADE BY TRUSTEE DOWELL, SECONDED BY TRUSTEE GOMEZ, TO APPROVE ITEM 5.A. AS PRESENTED. VOTE: YES – BASUA, COBURN, DOWELL, GOMEZ, MAGSIG. ABSTAIN – JOLLY (TRUSTEE JOLLY WAS ABSENT FROM THE FEBRUARY 15, 2017 REGULAR BOARD MEETING). ABSENT – BAXTER, CADE, GARCIA.

- B. Consideration of the February 15, 2017 Disability Committee Meeting Minutes

A MOTION WAS MADE BY TRUSTEE GOMEZ, SECONDED BY TRUSTEE DOWELL, TO APPROVE ITEM 5.B. AS PRESENTED. VOTE: UNANIMOUS. ABSENT – BAXTER, CADE, GARCIA.

6. Discussion

- A. Receive Performance and Economic Summary Reports – Mondrian

The Board heard and received performance updates from Jim Brecker, Andrew Miller, and Aiden Nicholson of Mondrian on the Plan's International Small Cap and Emerging Markets Equity Funds that included a review of Mondrian's philosophy, organizational structure, and investment strategy.

The Mondrian Team commented on the current market environment and its impact on the Plan's investment returns and addressed various comments and questions from the Board in regards to the Plan's overall investment performance and market environment going forward.

Trustee Cade joined the Board at 9:05 AM (during the Mondrian presentation).

RECEIVED AND FILED

- B. Review of Quarterly Investment Reports for the Period Ended December 31, 2016

Investment Landscape – Michael Kamell of Verus, gave a brief overview of the current economic environment and its impact on the investment markets. In addition, Mr. Kamell commented on and gave a brief summary on the global and capital markets.

The Board engaged in a general discussion regarding the current market environment and the market assumptions going forward.

Investment Performance - Mr. Kamell reviewed the Plan's various asset classes and the individual managers within the asset classes noting the main drivers of performance and any significant over or under performance over the three and five year periods.

The Board engaged in detailed discussions regarding the current market environment and overall performance of the fund.

Guideline Compliance - Mr. Kamell noted that there were no reportable breaches by any of the managers.

- C. Consideration and Review of Active Management Environment

Michael Kamell, Verus, reviewed the Active Management Environment reporting on Equities, Fixed Income, and US REIT's. Mr. Kamell noted that in the 2017 active management environment, Verus expanded their analysis to work towards a deeper understanding of universe characteristics, and of the active products within those universes.

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D. Consideration and Review of 2017 Capital Market Assumptions

Michael Kamell, Verus reviewed the Capital Market Assumptions report noting that, each year, Verus prepares forward looking 10 year return assumptions for each asset class at a high level, utilizing a “building block” method approach, analyzing the return drivers of each asset class.

Mr. Kamell noted that, using the 2017 assumptions, the 10 year annualized return forecast for the portfolio is 6.3%. Changes in the forecasted risk/return profile of the policy were driven by reductions in the forecasted returns of US Large Cap Equities, Emerging Market Equities, and High Yield Corporate Credit along with increases in forecasted risk among Equities, Fixed Income, and Hedge Funds.

The Board engaged in a Q&A period regarding Verus’ forecasting model.

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E. Consideration of Hamilton Lane Secondary Fund IV Commitment

Michael Kamell, Verus, reminded the Board of its prior discussions to restructure the private equity program and recommended that, as part of the diversified build-out of the private equity program, FCERA begin legal negotiations with Hamilton Lane for a \$75 million commitment to Hamilton Lane Secondary Fund IV. The anticipated final close is at the end of the first quarter of 2017.

A MOTION WAS MADE BY TRUSTEE JOLLY, SECONDED BY TRUSTEE MAGSIG, TO APPROVE ITEM 6.E. AS RECOMMENDED. VOTE: UNANIMOUS. ABSENT – BAXTER, GARCIA.

F. Consideration of the FCERA Offices at Palm Bluffs

1. General Update – **RECEIVED AND FILED**
2. Audio/Visual Proposal – **A MOTION WAS MADE BY TRUSTEE BASUA, SECONDED BY TRUSTEE GOMEZ, TO APPROVE ITEM 6.F.2. AS RECOMMENDED. VOTE: UNANIMOUS. ABSENT – BAXTER, GARCIA.**
3. Furniture Proposal – **A MOTION WAS MADE BY TRUSTEE DOWELL, SECONDED BY TRUSTEE BASUA, TO APPROVE ITEM 6.F.3. AS RECOMMENDED. VOTE: UNANIMOUS. ABSENT – BAXTER, GARCIA.**
4. QPAM Proposal – **A MOTION WAS MADE BY TRUSTEE GOMEZ, SECONDED BY TRUSTEE JOLLY, TO APPROVE ITEM 6.F.4. AS RECOMMENDED. VOTE: UNANIMOUS. ABSENT – BAXTER, GARCIA.**

Trustee Jolly thanked Staff for their efforts in “thinking out of the box” regarding the QPAM Proposal and finding an alternative, less costly advisory service and cash overlay option.

7. Closed Session:

- A. Consideration of Purchase or Sale of Particular, Specific Pension Fund Investments (pursuant to G.C. §54956.81) (one investment) – APPROPRIATE ACTION(S)

B. DISABILITY RETIREMENT APPLICATIONS – PERSONNEL EXCEPTION (pursuant to G.C. §54957) – APPROPRIATE ACTION(S)

1. Kimberly Robinson
2. Jose Anaya

8. **Oral Reports:**

A. Report out of Closed Session

7.A. No reportable action.

7.B.1. Robinson - **A MOTION WAS MADE BY TRUSTEE GOMEZ, SECONDED BY TRUSTEE JOLLY, TO DENY THE APPLICANT SERVICE CONNECTED DISABILITY BENEFITS, AND TO GRANT THE APPLICANT NON-SERVICE CONNECTED DISABILITY BENEFITS BASED ON DR. HUTCHINSON'S EVALUATION INCLUDING THE APPLICANT'S MEDICAL AND PERSONNEL RECORDS. VOTE: UNANIMOUS. ABSENT – GARCIA.**

7.B.2. Anaya – **A MOTION WAS MADE BY TRUSTEE JOLLY, SECONDED BY TRUSTEE MAGSIG, TO DIRECT THE ADMINSTRATOR TO NOTIFY THE APPLICANT THAT THE SERVICE CONNECTED DISABILITY APPLICATION WILL BE DENIED UNLESS THE APPLICANT REQUESTS A HEARING IN ACCORDANCE WITH THE POLICY. VOTE: UNANIMOUS. ABSENT - GARCIA.**

B. FCERA Administration

Administration had nothing to report.

C. Board Counsel

Craig Armstrong, Baker Manock, reminded the Board of the AB 1234 Ethics Training scheduled for March 17, 2017 at the Baker Manock offices.

D. Committee Reports

No Committee reports.

E. Board Members

No Board Member reports.

There being no further business, the meeting adjourned at 12:07 PM.

Donald C. Kendig, CPA
Secretary to the Board