

**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"

February 3, 2016

REGULAR MEETING AGENDA MINUTES

Trustees Present:

Laura P. Basua
Alan Cade, Jr.
Eulalio Gomez

Greg Baxter
Vicki Crow
Steven Jolly

Dr. Rod Coburn, III
Robert Dowell
Mary Rogozinski, Alternate

Trustees Absent:

Vacant Seat

Staff and Service Providers Present:

Donald Kendig, Retirement Administrator
Becky Van Wyk, Assistant Retirement Administrator
Elizabeth Avalos, Executive Assistant
Kelly Prinz, Retirement Benefits Manager
Conor Hinds, Supervising Accountant
Ken Price, Board Counsel
Craig Armstrong, Board Counsel
Jeffrey MacLean, Verus
Greg Rogers, AJO
Steve Nesbitt, Cliffwater, LLC
Pete Keliuotis, Cliffwater, LLC
James Feidler, Cliffwater, LLC
Michael Klein, Aetos Capital
Ann Casscells, Aetos Capital
Andrew Walling, Aetos Capital
Jose Gonzalez-Heres, Morgan Stanley
Christopher Morser, Morgan Stanley
Robert Seelos, Morgan Stanley
Lisa Kastigar, Grosvenor Capital Management
David Richter, Grosvenor Capital Management
Paul Gercio, Grosvenor Capital Management

Members of the Public that Addressed the Board:

Robert Skowronski, FCERA Member

1. Call to Order

Chair Jolly called the meeting to order at 8:33 AM, noting the current vacancy.

2. Pledge of Allegiance

Recited.

3. Public Comment

Robert Skowronski, FCERA Member, addressed the Board regarding overall Investment Returns, Hedge Fund Investment Returns, and Hedge Fund fees as they relate to transparency. Chair Jolly noted that a discussion on hedge funds would take place later in the day and asked that Mr. Skowronski hold his comments on the issue until then.

4. Consent Agenda

Trustee Coburn pulled Consent Item C for discussion and Chair Jolly pulled Consent Item E for comment.

- A. Approval of Retirements for January 2016 – **RECEIVED AND FILED; APPROVED**
- B. Receipt and Filing of Educational Attendance Report – **RECEIVED AND FILED**
- D. Receipt and Filing of Overlay Management Next Steps – **RECEIVED AND FILED**
- F. Approval of Travel Request from Chair Steven Jolly to 2016 Pension Bridge Annual on April 5-6, 2016 in San Francisco CA – **RECEIVED AND FILED; APPROVED**
- G. Approval of Annual Retiree Cost of Living Adjustment of 1% – **RECEIVED AND FILED; APPROVED**

A motion was made by Trustee Gomez, seconded by Trustee Coburn to accept/approve Consent Items 4A, 4B, 4D, 4F, and 4G as presented. VOTE: Unanimous

- C. Receipt and Filing of Kalmar Fee Structure Follow-Up – **RECEIVED AND FILED**

In response to a question from Trustee Coburn regarding whether there would be further follow-up on the performance and fees of Kalmar, it was noted that their current fee range is not out of market at this time. Trustee Coburn communicated his concern with Kalmar as a manager. Verus will continue to monitor Kalmar's performance on a regular basis.

A motion was made by Trustee Coburn, seconded by Trustee Baxter, to accept Consent Item 4.C. as presented. VOTE: Unanimous

E. Receipt and Filing of Verus/FCERA 2016 Annual Work Plan – **RECEIVED AND FILED**

Chair Jolly commented on the Verus Annual Work Plan noting that he found it helpful and asked whether the work plan would be in addition to FCERA’s Rolling Calendar. Mr. Kendig noted that information from the Verus Work Plan is and will continue to be incorporated in the FCERA Rolling Calendar. Mr. MacLean indicated that updates to the work plan will be brought to the Board periodically for significant changes.

A motion was made by Trustee Jolly, seconded by Trustee Gomez, to accept Consent Item 4E as presented. VOTE: Unanimous

5. **Minutes**

A. Consideration of the January 20, 2016 Retirement Board Regular Meeting Minutes – **APPROVED**

A motion was made by Trustee Crow, seconded by Trustee Dowell, to approve Item 5 as presented. VOTE: Unanimous

6. **Discussion**

A. Receipt and Filing of Aronson Johnson Ortiz Investment Update presented by presented by Greg Rogers – **RECEIVED AND FILED**

The Board heard and received an update from Greg Rogers of Aronson Johnson Ortiz which included a review of the firm’s philosophy, organizational structure, and investment strategy.

Mr. Rogers 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 regard to the Plan’s overall investment performance and market environment going forward.

B. Receipt and Filing of Hedge Fund Outlook presented by Jeffrey MacLean, Verus – **RECEIVED AND FILED**

Jeffrey MacLean, Verus, began the presentation with an industry overview noting that, despite a few growing concerns and disappointing recent returns, may hedge fund strategies continue to provide the diversification and capital preservation roles they are intended to serve in the broader portfolio.

The presentation included a review of hedge fund growth, performance over the 1 and 7 year periods, approaches, and forward looking views across styles.

The Board engaged in a question & answer discussion, recognizing that each hedge fund is unique in a number of ways; there is a very wide distribution of individual skills, styles, and approaches.

- C. Consideration and selection of Hedge Fund Specialty Consultant presented by Donald Kendig, Retirement Administrator – **RECEIVED AND FILED; APPROVED**

The Board heard presentations from representatives of Cliffwater, LLC; Aetos Capital; Morgan Stanley; and Grosvenor Capital Management with each reviewing their organizational structures, investment strategies and processes, and fee structures.

Trustee Crow departed at 1:20 PM. Trustee Baxter departed at 2:51.

Detailed discussions ensued regarding the various investment strategies, approaches, and fee structures of each of the firms. In addition, the Board heard from its investment consultant Jeffrey MacLean of Verus.

A motion was made by Trustee Jolly, seconded by Trustee Gomez, to direct Staff to work with Grosvenor, Verus, and Investment Counsel to begin negotiations with Grosvenor to provide advisory services to the Board on FCERA's hedge fund allocation, and to notify the other finalists of the Board's intention to work with Grosvenor. VOTE: Unanimous (Absent – Baxter, Crow)

- D. Consideration of Request to Reconsider Motion to Deny the Disability Application of Tony Logan pending a Request for Hearing – **APPROVED**

Staff opened discussions by stating that it received a request from the Association's Attorney asking that the Board reconsider its March 19, 2014 decision to deny the disability application of Tony Logan based on additional information received and reviewed by FCERA's IME as it is believed that the revised opinion of the IME will negate the need for a hearing.

A motion was made by Trustee Coburn, seconded by Trustee Basua, to approve the request to reconsider the March 19, 2014 decision motion on February 17, 2016 [at 10:00 AM, time certain]. VOTE: Unanimous (Absent – Baxter, Crow)

7. Closed Session:

- A. Conference with Investment Consultant pursuant to G.C. §54956.81 - APPROPRIATE ACTION

8. Oral Reports:

- A. Report out of Closed Session

7.A. No reportable action.

- B. FCERA Administration

1. The Consultants Evaluation forms were distributed to the Trustees with a request that the completed forms be returned to Mr. Kendig no later than February 17, 2016.
2. An updated Rolling Calendar was distributed that included Verus' work plan and other changes from the Board.
3. Trustees will need to leave their old Ipads at the February 17, 2016 Regular meeting.
4. Maria Millburg will join the FCERA Staff as a Staff Analyst for Communications on February 16, 2016.

C. Board Counsel

1. Ken Price and Craig Armstrong held an orientation meeting with Mr. Kendig earlier in the week.
2. Craig Armstrong attended the CALAPRS Attorneys' Roundtable in Burbank.

D. Committee Reports

Nothing to report.

E. Board Members

1. Trustee Gomez reminded the Board that the BOS would be considering salary increases for the Retirement Administrator, Assistant Retirement Administrator, and the Retirement Benefits Manager on February 9, 2016 and encouraged their attendance.

There being no further business, the meeting adjourned at 4:11 PM.

Donald C. Kendig, CPA
Secretary to the Board