

**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 16, 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

Trustees Absent:

Mary Rogozinski, Alternate

Vacant Seat

Staff and Service Providers Present:

Donald Kendig, Retirement Administrator
Becky Van Wyk, Assistant Retirement Administrator
Conor Hinds, Supervising Accountant
Elizabeth Avalos, Executive Assistant
Maria Millburg, Retirement Communications Officer
Ken Price, Board Counsel
Craig Armstrong, Board Counsel
Paul Angelo, Segal Company
Andy Yeung, Segal Company

Members of the Public that Addressed the Board:

Jean Rousseau, County Administrative Officer
Robert Skowronski, FCERA Member
Ron Madsen, FCERA Member
Les Jorgensen, FCERA Member

1. Call to Order

Chair Jolly called the meeting to order at 8:33 AM, noting that, in addition to the current vacancy, Trustee Crow, and Alternate Trustee Rogozinski were absent.

2. Pledge of Allegiance

Recited.

3. Public Comment

Robert Skowronski, FCERA Member, commented on the Association's investment performance as reflected in the RV Kuhn's Report and the overall historical returns of Hedge Funds in general. He communicated a concern with a reported \$5B hedge fund loss and indicated that our underlying hedge funds should be public so we know if we had losses from it.

4. Consent Agenda

Trustees Baxter and Jolly pulled Consent Item 4.H. for discussion.

- A. Receipt and Filing of the February 2016 Activity Report – **RECEIVED AND FILED**
- B. Receipt and Filing of Public Records Requests and/or Retirement Related Correspondence – **RECEIVED AND FILED**
- C. Receipt and Filing of the February 2016 Business Expense Account Statement – **RECEIVE AND FILE**
- D. Approval of Travel Request from Trustee Robert Dowell to attend the 2016 REIT Week Investor Forum on June 7-9, 2016 in New York, NY – **RECEIVED AND FILED; APPROVED**
- E. Receipt and Filing of Educational Attendance Report from Donald Kendig, Retirement Administrator, on the CALAPRS General Assembly – **RECEIVE AND FILE**
- F. Approval to Escheat Moneys for Members 70.5 Years and Above – **RECEIVED AND FILED; APPROVED**
- G. Delegate Voting of the Council of Institutional Investors (CII) 2016 Board of Directors Ballot to Trustee Gomez – **RECEIVED AND FILED; APPROVED**

A motion was made by Trustee Coburn, seconded by Trustee Basua, to accept/approve Consent Item 4.A. through 4.G. as presented. VOTE: Unanimous (Absent – Crow)

- H. Receive and file notices of downgrades that impacted the Fresno County Employees' Retirement Association Western Asset (WAMCO) Account

The Board reviewed and discussed the downgrade notifications noting that the notices were not required by the policy, but proactively provided. Staff recommended allowing WAMCO to manage the portfolio and noted that Verus is aware of the downgrade and does not recommend a change at this time. The Chair directed staff to ask: How much is energy and for a break down by industry, sector concentration limits in a write up for the consent agenda..

A motion was made by Trustee Jolly, seconded by Trustee Baxter, to accept Consent Item 4.H. as presented. VOTE: Unanimous (Absent – Crow)

RECEIVED AND FILED

5. Minutes

- A. Consideration of the March 2, 2016 Retirement Board Regular Meeting Minutes

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

- B. Consideration of the March 2, 2016 Board Consultants Evaluation Committee Meeting Minutes

A motion was made by Trustee Gomez, seconded by Trustee Baxter, to approve Item 5.B. as presented. VOTE: Unanimous (Absent – Crow)

Chair Jolly expressed his appreciation for the efforts of the BCEC members.

6. Discussion:

The Board moved to Item 6.C. at this time as Paul Angelo and Andy Yeung of the Segal Company had not yet arrived.

- C. Consideration of the Securities Monitoring and Litigation Policy and Proposals

Trustee Crow joined the Board at 8:46 AM.

Securities Monitoring and Litigation Policy

The Board and Staff reviewed and discussed the proposed revisions to the Securities Monitoring and Litigation Policy as follows:

- The Decision Criteria and Factors paragraph III. 2. b) threshold was increased from \$250,000 to \$1,000,000.
- The Roles in Managing and Monitoring Litigation were updated under paragraphs IV. 3), 4), and 5). Paragraph 3) where the Retirement Administrator determines the number of firms needed to provide adequate coverage was eliminated. Paragraph 4) was updated to provide firms with an opportunity for consideration when the policy comes up for review.

A motion was made by Trustee Coburn, seconded by Trustee Baxter, to approve the proposed policy changes as recommended. VOTE: Unanimous

Proposals from Securities Monitoring Law Firms, AF&T and Saxena White

The Board reviewed two proposals received from AF&T and Saxena White for its consideration for inclusion in the pool of securities litigation monitoring law firms and discussed whether to change or add to the current pool of monitoring firms.

It was noted that adding to the pool of firms would add to the count of entities that retrieve custodial data feeds, and staff could verify data security procedures, should the Board decide to pursue additional relationships. Adding to the pool of firms would add to the count of entity relationships that would have to be managed by Staff as part of the Securities Monitoring and Litigation Policy.

Trustee Gomez suggested issuing an RFP for Securities Monitoring and Litigation services, while Trustee Coburn found no compelling reason to add to the current compliment.

A motion was made by Trustee Coburn, seconded by Trustee Baxter, to not add any additional Securities Monitoring and Litigation firms to the compliment at this time. VOTE: Yes – Baxter, Cade, Coburn, Crow, Dowell, Jolly. No – Basua, Gomez. MOTION PASSED.

The Board directed Staff to agendize this issue in three years and to compile a list of firms that may be interested in presenting to the Board.

A. Consideration of the Actuarial Experience Study and Review of Economic Actuarial Assumptions

Actuarial Experience Study Analysis for the period July 1, 2012 through June 30, 2015

Paul Angelo and Andy Yeung, Segal Company, reviewed the results of the Demographic Assumptions analysis and, based on the study's results, recommended various changes in the current assumptions. The recommendations include changes to the following Demographic assumptions:

- Retirement Rates
- Mortality Rates
- Termination Rates
- Disability Incidence Rates
- Individual Salary Increases
- Annual Leave Conversion

Detailed discussions ensued regarding the reasons for the proposed changes and the cost impact of the recommended assumptions changes going forward.

Trustee Basua departed at 10:00 AM.

Review of Economic Actuarial Assumptions for the June 30, 2016 Actuarial Valuation

Messrs. Angelo and Yeung reviewed the results of the Economic Assumptions analysis and, based on the study's results, recommended various changes in the current assumptions. The recommendations include changes to the following Economic assumptions:

- Inflation
- Investment Return
- Administrative Expenses
- Salary Increase

Detailed discussions ensued regarding the reasons for the proposed changes and the cost impact of the recommended assumption changes going forward. It was noted that the change to decrease the Investment Return assumption has the greatest cost impact to the County.

Jean Rousseau, County Administrative Officer, requested that the Board not decrease the Investment Return Assumption as it would cause a hardship for the County possibly resulting in employee layoffs. Detailed discussions ensued regarding various options for implementing a reduction in the investment return assumption, including a three year "Phase-in" method.

A motion was made by Trustee Jolly, seconded by Trustee Baxter, to approve the recommended Economic Assumptions changes as recommended. ROLL CALL VOTE: Yes – Baxter, Dowell, Jolly. No – Cade, Crow, Coburn, Gomez. (Absent – Basua) MOTION FAILED

A motion was made by Trustee Cade, seconded by Trustee Crow, to approve the recommended Economic Assumptions changes as recommended with a three year Phase-in period. ROLL CALL VOTE: Yes – Cade, Crow, Coburn, Dowell. No – Baxter, Gomez, Jolly (Absent – Basua) MOTION PASSED

B. Consideration of Proposed Interest Crediting and Undistributed Earnings Policy Updates

Donald Kendig, Retirement Administrator, reviewed the proposed policy changes noting that the policy incorporates input from the County that affirms that the Policy provide clear guidance that the vested benefits provided by the Board of Supervisors under the 1937 Act, or provided under the Settlement Agreement, and their respective reserves, shall always be credited and funded before non-vested benefits and their respective reserves.

The Board heard from FCERA Members Les Jorgensen, Ron Madsen, and Robert Skowronski.

A motion was made by Trustee Crow, seconded by Trustee Coburn, to adopt the Interest Crediting and Undistributed Earnings Policy as presented. VOTE: Unanimous (Absent – Basua)

Trustee Crow departed at 12:42 PM.

D. Consideration of the Policy Development Process Policy

A motion was made by Trustee Coburn, seconded by Trustee Dowell, to adopt the Policy Development Process Policy as presented. VOTE: Unanimous (Absent – Basua, Crow)

E. Consideration of Council of Institutional Investors (CII) March 23, 2016 General Member Business Meeting and Business Meeting Ballot

Donald Kendig, Retirement Administrator, noted that, as a CII Member, CII is requesting that the Board, or its delegate, to cast FCERA's ballot for, against, or abstain on a policy statement on Investor Expectations for newly public companies. The goal of the policy statement is to have newly formed companies adopt an equity structure and governance provisions that protect public shareholders' rights equally.

Chair Jolly opposed participation in the voting as he is unsure how it will impact the members of the Plan.

Trustee Gomez was recommended as the delegate as he will attend the CII Spring Conference in late March.

A motion was made by Trustee Dowell, seconded by Trustee Coburn, to delegate voting authority to Trustee Gomez. VOTE: Yes – Baxter, Cade, Coburn, Dowell, Gomez. No – Jolly.

7. Closed Session:

- A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION: Significant exposure to litigation pursuant to subdivision (d) of Government Code section 54956.9 (two cases)
- B. CONFERENCE WITH REAL PROPERTY NEGOTIATORS (pursuant to G.C. §54956.8)
Negotiators: Donald Kendig, Brian Decker, Beau Plumlee, Kenneth Price, and Craig Armstrong
Purchase of: 7766, 7772, and 7778 N Palm, Fresno, CA 93711

8. Oral Reports:

- A. Report out of Closed Session
 - 7.A. No reportable action.
 - 7.B. No reportable action.
- B. FCERA Administration
 - 1. Budgetary Items were solicited from the Board.
 - 2. Updates to the Rolling Calendar were noted.
 - 3. A Disability Committee meeting is scheduled for April 6, 2016.
 - 4. An Emotional Intelligence Training Course for Staff and Trustees is scheduled for April 7, 2016.
 - 5. Back-up recorder had been installed to capture Board discussion in the event of technical difficulties.
- C. Board Counsel - None
- D. Committee Reports - None
- E. Board Members
 - 1. Chair Jolly will be absent for the April 6, 2016 Regular Meeting. However, he is interested in an Advisory Board seat at Hamilton Lane.

There being no further business, the meeting adjourned at 1:08 PM.

Donald C. Kendig, CPA
Secretary to the Board