

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

August 18, 2010

Trustees Present:

Michael Cardenas
Franz Criego
Steven Jolly

Nick Cornacchia
Eulalio Gomez
Phil Larson

Vicki Crow
James E. Hackett
Ronald S. Frye, Alternate

Trustees Absent:

John Souza

Others Present:

Ken Kent, Cheiron, Inc.
Bill Hallmark, Cheiron, Inc.
John E. Bartel, Bartel Associates
Marilyn Oliver, Bartel Associates
Bob McCrory, EFI Actuaries
Graham Schmidt, EFI Actuaries
Ron Madsen, FCERA Member
John Johnson, FCERA Member
Kelly Prinz, Retirement Benefits Manager
Susan Coberly, Senior Deputy County Counsel
Roberto L. Peña, Retirement Administrator
Becky Van Wyk, Assistant Retirement Administrator
Elizabeth Avalos, Administrative Secretary

1. Call to Order

Chair Gomez called the meeting to order at 8:34 AM.

2. Pledge of Allegiance

Recited.

3. Public Presentations

None.

Consent Agenda/Opportunity for Public Comment

A motion was made by Vice Chair Hackett, seconded by Trustee Crow, to Approve Consent Agenda Items 4-11. VOTE: Unanimous (Absent – Cardenas, Cornacchia, Jolly, Larson)

***4. Approve the August 4, 2010 Regular Meeting Minutes**

RECEIVED AND FILED; APPROVED

- *5. Summary of monthly statistics from the Retirement Association Office on service credit purchases, retirement benefit estimates, public service, age adjustments, final compensation calculations, and disability retirement applications for July 2010**

RECEIVED AND FILED

- *6. Public Records Requests and/or Retirement Related Correspondence from Kathy Regalia, Sacramento County Employees' Retirement System; Alison M. Johnson, San Francisco Employees' Retirement System; Elizabeth Hamelin, Hogan Lovells; Carol Horner, Santa Clara VTA Pension Plan; Ron Madsen, FCERA Member; Michael Giardina, Investment Management Weekly; Maria Dizon, San Bernardino County Employees' Retirement Association; Neal Tourdo, Mastrapasqua Asset Management; Robert Davis, Triton Pacific Capital, LLC; Landry Haarmann, The Financial Times Ltd.; Seyonne Kang, Commonfund; Aleena Gardezi, Money Management Letter; Robert Gorman, Sandler Capital Management; and Lucy Pesa, CQS, LLC**

RECEIVED AND FILED

- *7. Update of Board of Retirement directives to FCERA Administration**

RECEIVED AND FILED

- *8. Educational Reading Materials**

RECEIVED AND FILED

- July 13, 2010 [Bloomberg](#) article – *Taxpayers Don't Need \$2.9 Trillion Pension Overhaul: Joe Mysak*
- July 21, 2010 [Top1000funds.com](#) article – *Hedge FoFs on the wane with experienced investors*
- July 25, 2010 [latimes.com](#) article – *Pension envy in California*
- July 26, 2010 [Pensions & Investments](#) article – *Real dilemma*
- July 26, 2010 [Pensions & Investments](#) article – *Public plans cutting money management fees*
- August 1, 2010 [pressdemocrat.com](#) article – *Push for changes to Sonoma County's pension system*
- August 9, 2010 [Asset International](#) article – *Rumors Swirl Around Potential SDCERA CIO Insourcing*
- August 9, 2010 [Asset International](#) article – *California's Attorney General Expresses Shock Over CalPERS' Blind Eye on Runaway Salaries for Top City Officials*
- August 9, 2010 [Pensions & Investments](#) article – *Taming a whale lurking in pension financing*
- August 10, 2010 [Asset International](#) article – *Despite Tough Quarter, Institutions Plan to Increase HF Allocations*
- Spring/Summer 2010 [ACERA What's Up?](#) Newsletter
- Summer 2010 [PERSist](#) Newsletter

- July 2010 The Journal Newsletter

***9. Unaudited Financial Statements for the Fresno County Employees' Retirement Association for the six month period ended December 31, 2009**

RECEIVED AND FILED

***10. Unaudited Financial Statements for the Fresno Station Business Center for the six month period ended December 31, 2009**

RECEIVED AND FILED

***11. Report from Becky Van Wyk, Assistance Retirement Administrator, on attendance at the 20th Annual Northern California Public Retirement Seminar on August 5, 2010**

RECEIVED AND FILED

Trustees Cornacchia and Cardenas joined the Board at 8:35 AM.

12. Discussion and appropriate action on selection of firm for the actuarial audit services

Roberto L. Peña, Retirement Administrator, opened discussions by reminding the Board of its decision to hear presentations from each of the firms with the intent to hire one firm to conduct an audit of the annual valuation and experience study as required by Board policy.

Cheiron, Inc.

Ken Kent, Cheiron, began the presentation with an overview of the firm's background noting that Cheiron is an independent national firm formed over concerns on liability limitations with a core business specializing in jointly-trusted pension and health funds with such clients as CalSTRS, San Diego and Santa Barbara Counties, and the City of San Francisco.

Trustee Jolly joined the Board at 8:40 AM.

Bill Hallmark, Cheiron, reviewed the methodologies, approach, and quality controls used by the firm to ensure that the requested services are completed accurately and timely and noted that Cheiron uses a top down consultant approach with open and clear communications of inherent uncertainties.

Mr. Kent disclosed that Cheiron was recently hired by the County of Fresno to consult on potential alternative retirement tiers. However, he does not feel that there is any conflict of interest noting that, because of the relationship with the County, Cheiron will be better prepared to serve the Board of Retirement through efficiencies gained from working with both the County and FCERA.

Detailed discussions ensued regarding the firm's fees and conditions of the audit proposal. Roberto L. Peña, Retirement Administrator noted that the proposed fee of

\$80,000 is for the audit of the 2009-2010 actuarial valuation and experience study. Mr. Kent noted that the fee is negotiable.

Mr. Peña reminded the Board that it is Administration's recommendation to hire a firm that will perform an additional audit of the actuarial valuation and experience study within the next 3 to 5 years.

In response to a question from Mr. Peña regarding whether Cheiron has had the opportunity to audit The Segal Company's work in the past, Mr. Hallmark stated that the firm has not had the opportunity and noted that the firm's independence from Segal is an advantage in that "patterns" that could cause deficiencies when working with firms over time have not developed.

Bartel Associates, LLC

John E. Bartel, Bartel, began the presentation with an overview of the firm's background noting that the firm's offices are located in San Mateo, California and employs eight credentialed actuaries, seven actuarial students, and three administrative staff. The majority of their clients are public sector entities located in California.

Trustee Larson joined the Board at 9:47 AM.

Marilyn Oliver, Bartel, reviewed the methodologies, approach, and quality controls used by the firm to ensure that the requested services are completed accurately and timely and noted that Bartel offers thorough audits and a competent and experienced project team that will communicate the results of the audit clearly and concisely.

Detailed discussions ensued regarding the firm's fees and conditions of the audit proposal. Roberto L. Peña, Retirement Administrator, noted that the proposed fee is not to exceed \$55,000.

In response to a question from Trustee Crow regarding whether Bartel has had the opportunity to audit The Segal Company's work in the past, Mr. Bartel stated that the firm has audited Segal's work and has a good working relationship with Segal.

EFI Actuaries

Graham Schmidt, EFI, began the presentation with an overview of the firm's background noting that EFI was founded in 1991 and serves clients such as CalPERS, CalSTRS, and the San Joaquin, Marin, Merced, and Stanislaus County retirement systems.

Bob McCrory, EFI, reviewed the methodologies, approach, and quality controls used by the firm to ensure that the requested services are completed accurately and timely and noted that EFI offers attention to detail, clear communications and risk analysis/management.

Detailed discussions ensued regarding the firm's fees and conditions of the audit proposal. Roberto L. Peña, Retirement Administrator, noted that the proposed fee is \$64,515 for the audit of the 2009-2010 actuarial valuation and experience study. Mr. McCrory noted that the fee is negotiable.

In response to a question from Mr. Peña regarding whether EFI has had the opportunity to audit The Segal Company's work in the past, Mr. Schmidt stated that the firm has not had the opportunity, but they are somewhat familiar with Segal's work.

Mr. Peña, Becky Van Wyk, Assistant Retirement Administrator, and Kelly Prinz, Retirement Benefits Manager, commented on the references given for each firm. It was noted that all the firms received positive feedback.

Ron Madsen, FCERA Member, expressed his support for EFI because of their proposed focus on the Board's Interest Crediting Policy.

Detailed discussions ensued regarding the various methodologies, approaches and fee structures of each firm.

A motion was made by Trustee Jolly, seconded by Trustee Crow, to direct Administration to begin contract negotiations with EFI Actuaries. VOTE: Unanimous

RECEIVED AND FILED; APPROVED

13. Discussion and appropriate action on Annual Board Retreat topics for discussion

Roberto L. Peña, Retirement Administrator, opened discussions by reminding the Board of its direction for Administration to meet to discuss possible topics for the upcoming Annual Board Retreat on October 20-21, 2010. Mr. Peña noted that Administration met and offered the following subject matter for the Boards consideration:

- Pension Reform
- Fiduciary Standards
- Disability Process & Laws
- Disability Policy
- Retirement Process
- Board Operations/Robert's Rules of Order
- GASB Preliminary Discussion on Pension Accounting-Obligations & Liabilities

Mr. Peña recommended that the Board approve the Pension Reform, Fiduciary Standards, and GASB topics of discussion for the Annual Retreat.

Trustee Cardenas suggested that Administration prepare a discussion on the status of the outstanding Board Directives.

A motion was made by Chair Gomez, seconded by Trustee Jolly, to have the Annual Board Retreat at Harris Ranch Inn and to approve the topics of discussion recommended by Administration and Trustee Cardenas. VOTE: Unanimous

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Trustee Cardenas departed at 11:16 AM.

14. Closed Session:

- A.** Conference with Legal Counsel – Actual Litigation - pursuant to G.C. §54956.9(a)
 - 1. *Geraldine Chisom, et al. v. Board of Retirement, etc., et al., Fresno County Superior Court Case No. 10 CECG 02372*
 - 2. *Anna B. Lund Living Trust of July 17, 2009, Fresno Superior Court Case No. 10CEPR00282*
- B.** Conference with Legal Counsel – Potential Litigation – pursuant to G.C. §54956.9(c) – possible initiation of litigation (three cases)
- C.** Conference with Real Property Negotiators – pursuant to G.C. §54956.8
 - 1. Property: 1713 Tulare Street, Fresno, CA 93721
Agency Negotiators: Brian Decker of Colliers Tingey
- D.** Disability Retirement Applications – Personnel Exception (G.C. §54957):
 - 1. Isidoro Didulo
 - 2. John Johnson

15. Report from Closed Session

- 14.A.1. The Board unanimously decided to defend the case.
- 14.A.2. The Board unanimously decided to settle the matter for \$5,500. The matter is closed and the agreement is a public document.
- 14.B. Nothing to Report.
- 14.C.1. Nothing to Report.
- 14.D.1. Isidoro Didulo – Decision – To direct the Administrator to notify the applicant that his Service Connected Disability will be denied unless the Applicant requests a hearing in accordance with the Hearings Policy. M – Crow. S – Criego. VOTE: Unanimous. (Absent – Cardenas, Crow) MOTION PASSED.
- 14.D.2. John Johnson – Decision – To grant his disability benefits to be effective March 15, 2006. M – Criego. S – Jolly. VOTE: Yes – Cornacchia, Crow, Hackett, Jolly, Larson, Frye, Gomez. No – Criego. (Absent – Cardenas) MOTION PASSED.

16. Report from FCERA Administration

Roberto L. Peña, Retirement Administrator, reported on the following:

- 1. The upcoming SACRS Fall Conference 2010 will be held November 9-11, 2010.
- 2. A Public Request for information was received from Brad Branan of the Fresno Bee.

3. His attendance at the August 6, 2010 Citizens Labor Retirement Committee meeting.

17. Report from County Counsel

Susan Coberly, Senior Deputy County Counsel, had nothing to report.

18. Board Member Announcements or Reports

The Trustees had nothing to report.

There being no further business the meeting adjourned at 12:29 PM.

Roberto L. Peña
Secretary to the Board