

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

September 1, 2010

Trustees Present:

Michael Cardenas
Eulalio Gomez
Phil Larson

Franz Criego
James E. Hackett
John Souza

Vicki Crow
Steven Jolly

Trustees Absent:

Nick Cornacchia

Others Present:

Ronald S. Frye, Alternate Trustee
Bonnie Hancock, FCERA Member
Les Jorgensen, FCERA Member
Joy Clark, FCERA Member
Mike Cunningham, FCERA Member
Don Vanderheyden, FCERA Member
Jeffrey MacLean, Wurts & Associates
Peter Nori, Franklin Templeton
Thomas Dickson, Franklin Templeton
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 8:32 AM.

2. Pledge of Allegiance

Recited.

3. Public Presentations

None.

Consent Agenda/Opportunity for Public Comment

Trustee Gomez pulled Consent Agenda Item 12 for discussion.

A motion was made by Vice Chair Hackett, seconded by Trustee Souza, to Approve Consent Agenda Items 4-11 and 13-15. VOTE: Unanimous (Absent – Cornacchia, Crow, Jolly)

***4. Approve the August 18, 2010 Regular Board Meeting Minutes**

RECEIVED AND FILED; APPROVED

***5. Retirements**

RECEIVED AND FILED; APPROVED

Leland Adley	Public Health	11.02
Elaine E. Araki	Public Works & Planning	35.51
Maria L. Arredondo	VMC, Deferred	8.32
Frank C. Fowler	Public Works & Planning	32.78
Doyle L. Green	Sheriff, Deferred	3.08
Thelma J. Hensely	Child Support Svs, Deferred	5.03
Lance B. Hofer	Dept. of Agriculture	35.86
Greg D. Keast	Behavioral Health	10.22
Regina D. Leary	District Attorney	25.37
Chongshoua C. Lee	Public Health, Deferred	10.30
Stephanie M. Murrietta	Dept. of Social Svs, Deferred	15.80
Corrina L. Nunez	Public Works & Plan., Deferred	5.25
Guy M. Patterson	Sheriff	23.52
Shelley Powell	Behavioral Health, Deferred	10.53
Alicia Reyes	Public Health	20.28
Dolores Resueno	Public Health	11.27

***6. Disability Retirements**

RECEIVED AND FILED; APPROVED

James D. Bernabe	Sheriff	7.52
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***7. Deferred Retirements**

RECEIVED AND FILED; APPROVED

Lorraine M. Bolen	Dept. of Social Services	12.15
Yolanda E. Chapman	Probation	1.78
Djordana Daisy Didulo-Abrea	Dept. of Social Services	12.61
Shawn J. Elkin	Public Health	9.56
Martha Fabela-Robles	Public Works & Planning	7.44
Debbie A. Nottingham	Dept. of Social Services	13.31
Heidi A. Sonzena	Dept. of Social Services	15.44
Ely L. Uretsky	Sheriff	4.23

***8. Public Records Requests and/or Retirement Related Correspondence from Ryan Grabinski, Rocaton Investment Advisors, LLC; Stephen Marsh, AlphaStream Capital Management LLC; Rebecca Chia, Davidson Kempner Capital Management LLC; Julie Underwood, SBCERA; Mark Miller, Kimble, MacMichael & Upton, P.C.; Lloyd R. Breeding, FCERA Member; Barbara Harris, FCERA Member; Jennifer Rogers, Sonoma County; James Sunday, Landmark Partners; Jim Glenn, FCERA Member; and Ron Adolph, FCERA Member**

RECEIVED AND FILED

***9. Update of Board of Retirement directives to FCERA Administration**

RECEIVED AND FILED

***10. Most recent investment returns, performance summaries and general investment information from investment managers**

RECEIVED AND FILED

***11. Educational Reading Materials**

RECEIVED AND FILED

- July 12, 2010 Pensions & Investments article – *State Street faces short-term pain, long-term gains*
- July 26, 2010 Pensions & Investments article – *Valuing consulting?*
- August 10, 2010 chicagotribune.com article – *Pension check may not be in the mail*
- August 10, 2010 Stateline.org article – *States test whether public pension benefits given can be taken away*
- August 13, 2010 The Wall Street Journal article – *‘Overpaid’ Pensions Being Seized*
- Summer 2010 CALAPRS Update Newsletter
- Summer 2010 CalPERS Employer News Newsletter
- August 2010 The Journal Newsletter
- August 2010 The Monitor Newsletter
- August 27, 2010 Wurts & Associates – correspondence – *Mid Quarter Economic Update*
- 2010 Public Safety Employees Pension & Benefits Conference October 10-13, 2010 ~ Palm Springs, California
- 2010 CRCEA Fall Conference October 25-27, 2010 ~ Marin County, California

Trustee Crow and Jolly joined the Board at 8:35 AM.

***12. Correspondence sent to FCERA Retirees in response to a Public Records Act Request from Brad Branan of the Fresno Bee**

In response to a question from Chair Gomez regarding whether Administration could provide only the first initials and last names of the FCERA Retirees instead of the full first and last names as requested by the Fresno Bee, Roberto L. Peña, Retirement Administrator, noted that Administration had expressed his concerns with Brad Branan of the Fresno Bee regarding the release of the information. Mr. Peña noted that the question had been directed to legal counsel previously and it had been determined that the full name must be disclosed when requested. The information was provided as reflected in the Board’s Policies and Procedures regarding Public Records Requests. In addition, Administration forwarded an email correspondence to Mr. Branan expressing that some FCERA Retirees have requested that their names not be published.

Mr. Peña reminded the Board and public of four recent court cases that have dealt with issues on what is considered private and/or confidential noting that names of public employees/retirees are not deemed private. Mr. Peña stated that Mr. Branan indicated that his interest is directed toward retirees making \$100,000 or more in retirement benefits annually (approximately 2% of the more than 5,000 FCERA Retirees).

The Board heard concerns expressed by FCERA Retirees Bonnie Hancock, Les Jorgensen, Joy Clark, Michael Cunningham, and Don Vanderheyden, each noting specific concerns such as identity theft, legal requirements, if any, to provide personal information, and the costs related to notifying the membership of the Fresno Bee request. The Board was reminded that the policy was recently presented for public review and was adopted as presented.

Detailed discussions ensued regarding the current Public Records Requests Policy and potentially updating the policy to “prevent staff from going overboard” (as stated by Mr. Jorgensen) when providing information to the public.

Mr. Peña reminded the Board and public that, although, Administration’s priority is to the membership and the Plan it has a responsibility to run the Plan in a legal manner.

Trustee Jolly noted that importance of a following a policy that is consistent with each request and to not “react” to requests on an individual basis.

A motion was made by Vice Chair Hackett, seconded by Trustee Jolly, to Receive and File Consent Item 12 as presented. VOTE: Unanimous (Absent – Cornacchia)

RECEIVED AND FILED

- *13. Memorandum from Bee G. Lim, Wurts & Associates, regarding CIO departure at BlackRock Fixed Income, Fundamental Portfolios**

RECEIVED AND FILED

- *14. Requests from Trustees Michael Cardenas and Nick Cornacchia to attend the Pensions & Investments Defined Contribution Conference October 24-26, 2010 in San Francisco, CA and to receive travel advances for hotel accommodations in the amount of \$480.00 each**

RECEIVED AND FILED; APPROVED

- *15. Approve contract extension with State Street Bank & Trust Company to provide Custody and Disbursement Services for the period January 1, 2011 through January 1, 2013 and Amend the Schedule of Fees and Expenses**

RECEIVED AND FILED; APPROVED

- 16. Discussion and appropriate action on Performance and Economic Summary Report ~ Franklin Templeton presented by Peter Nori, Executive Vice President and Thomas J. Dickson, Senior Vice President**

Jeffrey MacLean, Wurts & Associates, opened discussions by reminding the Board of Wurt’s recommendation to terminate Franklin Templeton (Templeton) and to begin the search process for a replacement manager in the international equity mandate.

Mr. MacLean noted that Templeton was hired in 1994 and currently manages approximately \$183 million for the Plan. Templeton was placed on Watch in September 2006 due to underperformance that came during a market environment that favored value oriented managers like Templeton.

While Templeton has provided a modest excess return since the watch date, their performance has been uneven. On a quarterly basis, the account has exhibited around a 40% average over the last three, five, and ten year periods. The lack of persistent skill over time and the consistent underperformance of their overall composite leads Wurts to the conclusion that FCERA will be best served over the long run with a different manager.

Chair Gomez noted that Mr. MacLean refers to a “fulcrum based” fee structure in his memo to the Board and requested the definition.

Mr. MacLean stated that a fulcrum based fee structure caps the upside fee attributed to excess returns to the same extent that the base fee provides a floor to the amount of fees a manager can earn.

Over the last two months, Wurts tried to negotiate a fee revision for this mandate. Unfortunately, Templeton insisted on a fee structure which is not fulcrum based. Wurts cannot endorse a non-fulcrum based fee structure as it inappropriately provides more upside to a manager than downside protection. Furthermore, Templeton would not lower their base fee to 20 basis points and they dismissed a retroactive performance fee back to the watch date of September 2006 which would provide FCERA with legitimate relief.

Tom Dickson, Franklin Templeton, noted that Templeton’s proposed fee schedule is an aggressive and proactive schedule that is used by other public plans at Templeton and respectfully disagreed with Wurts on how Templeton’s fee schedules are structured.

Peter Nori, Franklin Templeton, gave a brief overview of the firm’s background and reviewed Templeton’s investment philosophy noting that Templeton believes in a consistent long-term strategy based on value, patience and bottom-up investing.

Mr. Nori reviewed the Plan’s investment performance and attributed the performance weakness to their early withdrawal from commodity sensitive stocks and the IRRC screens established by the Board of Trustees from June 2003 through July 2004. Mr. Nori claims the IRRC screens adversely impacted the FCERA account by 357 basis points during those 13 months relative to their composite.

Mr. MacLean noted that FCERA has consistently underperformed the Templeton composite even when the IRRC screens were not in effect, so it is unlikely the IRRC screens were entirely responsible for the underperformance.

Detailed discussions ensued regarding Templeton’s current fee structure relative to the investment returns and their consistent underperformance.

A motion was made by Trustee Crow, seconded by Trustee Criego, to terminate Franklin Templeton and begin the search process for a new investment manager. VOTE: Yes – Criego, Crow, Gomez, Hackett, Jolly, Larson. No – Souza. (Absent – Cardenas, Cornacchia)

RECEIVED AND FILED; APPROVED

17. Presentation of the June 30, 2010 Investment Performance Review presented by Jeffrey MacLean, Wurts & Associates

Jeffrey MacLean, Wurts & Associates, began the presentation with an overview of the current economic environment and its impact on the investment markets noting that US economic growth has been consistently strong during the last several quarters, leading many to become far more optimistic about near term prospects and the possibility that this recession is nearing an end. However, Wurts cannot help being skeptical given an examination of current economic data and likely future events.

The primary source of concern lies in the factors comprising recent growth which was almost exclusively driven by inventories and personal consumption. Additional concern is the worsening of household finances as evidenced by mounting delinquency and pending foreclosure rates in mortgages, not to mention a concerning growth thereof amongst prime borrowers.

Mr. MacLean noted that consumer spending has likely been driven by the stimulus plan which is slated to end soon, and growth rates in inventories are presumably a reflexive response to nearly two years of decline and are unlikely to persist.

Mr. MacLean reviewed the Plan's various asset classes and the individual managers within the asset classes noting any significant over or under performance over the three and five year periods.

It was noted that the Plan's market value as of June 30, 2010 is approximately \$2.5 billion.

Mr. MacLean reviewed the Investment Manager Performance Standard Checklist noting the performance and "watch" status of Franklin Templeton and Western Asset Management Company.

RECEIVED AND FILED

18. Presentation of the June 30, 2010 Guideline Compliance Report presented by Jeffrey MacLean, Wurts & Associates

Jeffrey MacLean, Wurts & Associates, had no violations to report.

RECEIVED AND FILED

19. Discussion and appropriate action on Board Consultants Evaluation Committee meeting date and discussion topics

Roberto L. Peña, Retirement Administrator, opened discussions by reminding the Board that the Board Consultants Evaluation Committee is comprised of Trustee Franz Criego as Chair and Trustees Eulalio Gomez, James E. Hackett and John Souza as members.

In addition, Mr. Peña reminded the Committee members of their direction to Administration to schedule a committee meeting in the last quarter of the year and requested input on possible topics of discussion as well as selecting a date and time for the committee members to meet.

It was agreed that the committee members would check their calendars and communicate with Administration on possible discussion topics and available meetings dates with the intent of scheduling the first meeting for the second or third week in October.

NO ACTION TAKEN

20. Discussion and appropriate action on Voting Proxy for SACRS Fall 2010 Conference

Roberto L. Peña, Retirement Administrator, opened discussions by reminding the Board of the upcoming SACRS Fall Conference 2010 on November 9-12, 2010 in Universal City, CA.

Each year the Board must approve a Delegate and Alternate Delegate to vote on behalf of the FCERA at the SACRS Conference.

A motion was made by Trustee Jolly, seconded by Vice Chair Hackett, to appoint Trustee Souza as the delegate to vote on behalf of FCERA at the SACRS Fall Conference 2010. VOTE: Unanimous (Absent – Cornacchia)

A motion was made by Chair Gomez, seconded by Trustee Souza, to appoint Trustee Criego as the alternate delegate to vote on behalf of FCERA at the SACRS Fall Conference 2010. VOTE: Unanimous (Absent – Cornacchia)

RECEIVED AND FILED; APPROVED

Roberto L. Peña, Retirement Administrator, pulled Closed Session Items 21.A.1. and 21. B. as there was nothing to discuss.

21. 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. *Thomas Alberda, et al. v. Board of Retirement, etc., et al., Fresno County Superior Court Case No. 10 CECG 02961*
- B.** Conference with Legal Counsel – Potential Litigation – pursuant to G.C. §54956.9(c) – possible initiation of litigation (two 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. Dana Ohlberg
 - 2. Nicketta Scott

3. John Johnson

Trustees Criego, Jolly, and Larson departed during Closed Session.

22. Report from Closed Session

- 21.A.1. Pulled.
- 21.A.2. Thomas Alberda vs. The Board of Retirement. It is the decision of the Board to defend the case.
- 21.B. Nothing to Report
- 21.C.1. Nothing to Report
- 21.D.1. Dana Ohlberg – Decision – To Approve the Findings of Fact and Decision for Dana Ohlberg, granting service-connected disability retirement benefits with an effective date of August 21, 2008. The date the application was filed. **M – Crow. S – Souza. VOTE: Unanimous (Absent – Cornacchia, Criego, Jolly, Larson)**
- 21.D.2. Nicketta Scott – Decision – To Approve the Findings of Fact and Decision for Nicketta Scott, granting service-connected disability retirement benefits. **M – Crow. S – Souza. VOTE: Unanimous (Absent – Cornacchia, Criego, Jolly, Larson)**
- 21.D.3. John Johnson – Decision – To Approve the Supplemental Findings of Fact and Decision, granting service-connected disability retirement benefits effective March 15, 2006. **M – Crow. S – Souza. VOTE: Unanimous (Absent – Cornacchia, Criego, Jolly, Larson)**

23. Report from FCERA Administration

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

1. An article from the Sacramento Bee reporting the names and salaries of county retirees who earn \$100,000 or more annually in retirement benefits. Mr. Peña noted that the Fresno Bee may be publishing a similar article regarding the Fresno County Retirees.

24. Report from County Counsel

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

25. Board Member Announcements or Reports

The Board Members had nothing to report.

There being no further business, the meeting adjourned at 12:27 PM.

Roberto L. Peña
Secretary to the Board