

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

November 3, 2010

Trustees Present:

Michael Cardenas
Vicki Crow
Steven Jolly

Nick Cornacchia
Eulalio Gomez
Phil Larson

Franz Criego
James E. Hackett
Ronald S. Frye, Alternate

Trustees Absent:

John Souza

Others Present:

Jeffrey MacLean, Wurts & Associates
Michael Cunningham, FCERA Member
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 8:38 AM.

2. Pledge of Allegiance

Recited.

3. Public Presentations

None.

Roberto L. Peña, Retirement Administrator, informed the Board that, subsequent to the posting of the agenda, Administration was made aware of a request by the City of Fresno for a resolution authorizing the Board of Retirement Chair and Vice Chair to sign the parcel map adjustment which is required for the closing/sale of the Fresno Station Business Center. Because immediate action is required by the Board, Mr. Peña requested that the Board agendaize the item for discussion.

A motion was made by Trustee Crow, seconded by Trustee Hackett, to add the item for discussion. VOTE: Unanimous

Consent Agenda/Opportunity for Public Comment

A motion was made by Trustee Crow, seconded by Chair Gomez, to Approve Consent Agenda Items 4-14. VOTE: Unanimous

***4. Retirements**

RECEIVED AND FILED; APPROVED

Susan L. Abbott	Superior Court	23.64
Marsha G. Allen	County Clerk/Registrar of Voters	16.09
Paul Avalos	Public Health, Deferred	5.90
Pamela Bell-Armstrong	Behavioral Health	20.21
Sylvia Brito	Personnel Services	21.15
Patricia A. Busch	Superior Court, Deferred	21.83
Caren L. Case	General Services, Deferred	6.00
Elaine T. Chan	Administrative Office	23.07
I.G. Cole	General Services	24.29
Eddie Dingler	Sheriff, Deferred	2.89
Rosalina Esquivel	Department of Social Services	20.46
Harold Hass	ITSD	19.58
Yolanda F. Haxton	Public Health, Deferred	13.87
Jeannie Henry	County Counsel	20.54
Carolyn L. Hernandez	Department of Social Services	18.43
Virginia C. Landeros	Department of Social Services	21.20
James H. Lashbrook	Superior Court	17.51
Charlene Ledbetter	FMAAA, Deferred	7.59
Luis M. Leon	Department of Social Services	19.09
Karen P. Logue	Probation, Deferred	15.57
Steven L. Martinez	Personnel Services, Deferred	14.66
Jacklyn Meador	Superior Court	21.27
Donald L. McClellan	Department of Social Services	33.66
Ronald L. McNary	General Services	20.62
Debbie Olivares	Superior Court	19.39
Maria L. Ramos	Superior Court	17.03
Greg D. Rodgers	Sheriff, Deferred	16.02
Virginia Rubalcaba	Dept. of Social Svs., Deferred	14.29
Ruben Ruiz	Sheriff	15.00
Kenneth D. Smith	Child Support Svs., Deferred	6.03
Boun Somphong	Dept. of Social Svs., Deferred	10.52
Michael Tucibat	Behavioral Health, Deferred	7.58
Jorge A. Urbina	Behavioral Health	9.91
Leslie G. Van Meter	Sheriff	31.78
Richard X. Verdugo	Sheriff	27.02
Larry D. Yenck	Behavioral Health, Deferred	18.75

***5. Disability Retirements**

RECEIVED AND FILED; APPROVED

Dennis Folks	Public Works & Planning	5.42
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***6. Deferred Retirements**

RECEIVED AND FILED; APPROVED

Michael J. Aed	Public Defender	7.42
Patricia Phillips	District Attorney	15.18
Timothy J. Lewis	Probation	4.27

***7. Public Records Requests and/or Retirement Related Correspondence from Brad Branan, The Fresno Bee; Christopher Smith, Mandate Wire; Tom Lightvoet, Mercer; Greg Cassano, First Eagle Investment Management, LLC; Gary Anderson, FCERA Member; Keith May, Amundi IA USA; and Kristen Johnson, FCERA Member**

RECEIVED AND FILED

***8. Educational Reading Materials**

RECEIVED AND FILED

General

- October 12, 2010 Pensions & Investments article – *Studies show grim outlook for public plans*
- October 15, 2010 Huffington Post article – *Pension Benefits For Current Employees Could Face Legal Challenges*
- October 18, 2010 Asset International article – *Mercer Reevaluates DB Investment Consulting Work for US Public Sector Plans*
- October 18, 2010 Pensions & Investments article – *Worldwide equity boom boosts managers' beta*
- October 18, 2010 Pensions & Investments article – *Mercer creates \$240 billion vacuum*
- October 19, 2010 Asset International article – *Milken Institute Says California's Public Pensions Need Overhaul to Address Funding Shortfalls*
- October 20, 2010 Pensions & Investments article – *Illinois State Employees cuts return assumption to 7.75%*
- October 21, 2010 The Press Democrat article – *Sonoma County resolves potential pension problem*
- October 22, 2010 FundFire article – *Consultant Wurts Bulks Up L.A., Seattle Offices*
- October 24, 2010 Fresno Bee article – *Fresno Co. has pension hangover, despite reform*
- October 27, 2010 Top 1000 Funds article – *The challenges of a low return environment*
- September/October 2010 The Journal Newsletter
- October 2010 The Retirement Chronicles (KCERA) Newsletter

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

RECEIVED AND FILED

***10. Budget Status for the Quarter Ended September 30, 2010**

RECEIVED AND FILED

***11. Second Quarter Performance Report Revisions**

RECEIVED AND FILED

***12. Request to surplus equipment that is no longer needed or not working**

RECEIVED AND FILED; APPROVED

***13. Recommended Board of Retirement Regular Meeting Schedule for Calendar Year 2011**

RECEIVED AND FILED; APPROVED

***14. Amendments to Conflict of Interest Code**

RECEIVED AND FILED; APPROVED

15. Discussion and appropriate action on International Equity Search presented by Jeffrey MacLean, Wurts & Associates

Jeffrey MacLean, Wurts & Associates, opened discussions with a brief overview of the International Equity Search screening process noting Wurts' recommendation that the Board consider Dimensional Fund Advisors, Morgan Stanley Investment Management, Pyrford International PLC, and Research Affiliates for further consideration.

Detailed discussions, questions, and comments followed regarding the each firm's investment processes, portfolio characteristics, and performance.

A motion was made by Trustee Cornacchia, seconded by Trustee Crow, to Approve Wurts' recommended firms for further consideration. VOTE: Unanimous

RECEIVED AND FILED; APPROVED

16. Discussion and appropriate action on Systematic transition presented by Jeffrey MacLean, Wurts & Associates

Jeffrey MacLean, Wurts & Associates, opened discussions by reminding the Board that State Street Global Markets was appointed to manage the transition of the small cap value index portfolio to the Systematic Financial Management model portfolio.

Mr. MacLean gave a detailed description of the cost of the transition, the returns involved, the trading strategies utilized, and the market conditions during the transition. The cost of the transition was approximately \$1.17 million or a reasonable 1% of the portfolio.

Detailed discussions, questions, and comments followed.

A motion was made by Trustee Jolly, seconded by Trustee Gomez, to Accept Item 16 as presented. VOTE: Unanimous

RECEIVED AND FILED; APPROVED

17. Discussion and appropriate action on Standish personnel turnover presented by Jeffrey MacLean

Jeffrey MacLean, Wurts & Associates, opened discussions by informing the Board that Kent Wosepka, DFA, resigned in October 2010 as Standish Mellon's Chief Investment Officer and was replaced by David Leduc as lead portfolio manager on the Opportunistic strategy. While concerning, it does not warrant immediate termination as the strategy will continue to utilize the firm's sector team models and relative value scoring, as well as have the continued influence of its co-portfolio manager. Mr. MacLean recommended maintaining the exposure to Standish but placing the manager on Watch status.

The Board discussed, in detail, the personnel changes and the key considerations to maintaining the portfolio position as it relates to the Active Fixed Income portfolio.

Detailed discussions, questions, and comments followed regarding Wurts' Watch status recommendation.

A motion was made by Trustee Jolly, seconded by Trustee Crow, to Accept the recommendation to place Standish on Watch status. VOTE: Unanimous

RECEIVED AND FILED; APPROVED

18. Discussion and appropriate action on Large Cap Growth Managers ~ Performance Based Fee Schedule

Jeffrey MacLean, Wurts & Associates, opened discussions by reminding the Board that in October 2010 the Board hired both Waddell & Reed and Winslow Capital to manage the large cap growth mandates and instructed Wurts to negotiate performance fee arrangements. Subsequent negotiations yielded the 25 basis points base fee and required excess return of 225 basis points over the Russell 1000 Growth Index for both managers. Mr. MacLean reviewed the performance fee schedule of each manager.

Wurts believes the negotiated performance based fee schedules align Waddell & Reed's and Winslow's interest with FCERA's and the lower base fee provides immediate fee savings.

Detailed discussions, questions, and comments followed. It was noted that Waddell & Reed and Winslow will be funded from the assets in the SSGA Russell 1000 Growth Index Fund and the INTECH account.

A motion was made by Trustee Gomez, seconded by Trustee Crow, to Accept Item 18 as presented. VOTE: Unanimous

RECEIVED AND FILED; APPROVED

19. Discussion and appropriate on Board of Retirement Directives to FCERA Administration

Roberto L. Peña, Retirement Administrator, opened discussions by reminding the Board of its direction for Administration to agendize a discussion of the Board Directives for possible removal of three directives as follows:

1. Administration to work with the Actuary to provide a historical explanation of the development of the UAAL under the Settlement Agreement Benefits since its inception through current evaluation
2. Table further work on request by SEIU Local 521 until employers adopt a resolution authorizing a deduction.
3. Administration to present an update on the mandatory furlough issue (to be discussed in closed session)

Administration gave a detailed update on the status of each directive and recommended that the Board remove the items in that Administration has addressed each item and noted that Administration either cannot or does not find them useful to pursue.

A motion was made by Trustee Gomez, seconded by Trustee Jolly, to remove Item 1 from the Board Directives. VOTE: Unanimous

A motion was made by Trustee Jolly, seconded by Trustee Crow, to remove Item 2 from the Board Directives. VOTE: Unanimous

Item 3 ~ please see Closed Session reporting.

RECEIVED AND FILED; APPROVED

20. Discussion and appropriate action on request by the City of Fresno for a resolution authorizing the Board of Retirement Chair and/or Vice Chair to sign the parcel map adjustment

As noted earlier, Roberto L. Peña, Retirement Administrator, informed the Board that subsequent to posting the agenda, Administration was made aware of a request by the City of Fresno for a resolution authorizing the Board of Retirement Chair and Vice Chair to sign the parcel map adjustment which is required for the closing/sale of the Fresno Station Business Center. The resolution was read in total by Becky Van Wyk, Assistant Retirement Administrator.

A motion was made by Trustee Larson, seconded by Trustee Criego, to Approve the resolution as presented. VOTE: Unanimous

Mr. Peña noted that, as part of the Board Directives update, Reed Smith had included communications on the IRS Determination Letter filing for their reference.

Roberto L. Peña, Retirement Administrator, pulled Closed Session Agenda Item 21.C.1. as there was nothing to discuss.

22. 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*
- B. Conference with Legal Counsel – Potential Litigation – pursuant to G.C. §54956.9(c) – possible initiation of litigation (four 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. Glen Green
 - 2. Rudolph Gutierrez
- E. Personnel – Public Employee Performance Evaluation – Retirement Administrator (G.C. §54957)
- F. Conference with Labor Negotiator (G.C. §54959.6) (if needed)
 - Agency Representative: Michael Cardenas or Nick Cornacchia
 - Unrepresented Employee/Position to be evaluated: Retirement Administrator

22. Report from Closed Session

- 21.A.1. Nothing to report.
- 21.B. The Board approved a legal contract with Berman DeValerio regarding Countrywide Financial Corporation. **M – Crow. S – Jolly. VOTE: Unanimous**
The Board removed the Mandatory Furlough issue for the Board Directives. **M – Crow. S – Jolly. ROLL CALL VOTE: Yes – Cardenas, Cornacchia, Crow, Jolly, Frye. No – Criego, Gomez. Hackett. Abstain – Larson.**

The Board approved a legal contract with Cohen Milstein regarding Alphatec Holdings. **M – Crow. S – Gomez. VOTE: Unanimous**

On August 4, 2010, the Board approved the basic terms of a settlement agreement with Dana Phelps, subject to her execution of a written settlement agreement with FCERA. The formal settlement agreement has since been executed by the parties and is a public record available for inspection. Under the agreement, Dana Phelps agreed to pay FCERA \$7,000 to resolve FCERA's claim against her to recover overpaid benefit amounts that she received from FCERA. **M – Criego. S – Hackett. VOTE: Unanimous (Absent – Cardenas ~ August 4, 2010)**

The Board directed Administration to remove the Furlough issue from the Board Directives. **M – Crow. S – Jolly. ROLL CALL VOTE: Yes – Cardenas, Cornacchia, Crow, Jolly, Frye. No – Criego, Hackett. Abstain – Larson.**

21.C.1. Pulled.

21.D.1. Glen Green – Decision – **to Approve Glen Green’s application for Service Connected Disability Benefits based on the Findings of Fact and Decision. M – Crow. S – Gomez. VOTE: Unanimous**

21.D.2. Rudolph Gutierrez – Decision – **to Approve Rudolph Gutierrez’ application for Service Connected Disability Benefits based on the Findings of Fact and Decision with an effective date of August 28, 2007. M – Criego. S – Frye. VOTE: No – Cardenas, Cornacchia, Criego, Crow, Jolly, Larson, Frye, Gomez. Abstain – Hackett. MOTION FAILED.**

Rudolph Gutierrez – Decision – **to direct Administration to notify the applicant that the application for Service Connected Disability benefits will be denied unless the applicant requests a hearing. M – Criego. S – Crow. ROLL CALL VOTE: Yes – Cardenas, Cornacchia, Criego, Crow, Jolly, Larson, Frye, Gomez. Abstain – Hackett. MOTION PASSED.**

21.E. Nothing to report.

21.F. Nothing to report.

23. Report from FCERA Administration

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

1. The auditors from Brown Armstrong conducted their financial audit of FCERA and plan to present the findings to the Board in December.
2. Mr. Peña met with Fresno County Retirement Committee and Retirement Task Force on October 25, 2010.

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 12:29 PM.

Roberto L. Peña
Secretary to the Board