

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

**April 7, 2010**

**Trustees Present:**

Michael Cardenas	Franz Criego	Vicki Crow
Eulalio Gomez	James E. Hackett	Steve Jolly
Phil Larson	John Souza	

**Trustees Absent:**

Nick Cornacchia

**Others Present:**

Ronald S. Frye, Alternate Trustee  
Anne Westreich, Wurts & Associates  
Jeffrey MacLean, Wurts & Associates ~ via tele-conference  
Michael Cunningham, FCERA Member  
Diana Vasquez, SEIU Local 521  
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 order at 8:36 AM.

**2. Pledge of Allegiance**

Recited.

**3. Public Presentations**

None.

**Consent Agenda/Opportunity for Public Comment**

Chair Gomez pulled Consent Agenda Item 12 on behalf of Michael Cunningham, FCERA Member.

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

**\*4. Approve the March 17, 2010 Retirement Board Regular Meeting Minutes**

RECEIVED AND FILED; APPROVED

**\*5. Retirements**

RECEIVED AND FILED; APPROVED

Dawn A. Baker	Dept of Social Services, Deferred	18.77
Patricia A. Cantu	Child Support Services	19.85
Theresa Joanne Cox	Sheriff	14.60
Rita S. Dreaden	Community Health	30.99
Samuel J. Dyer	General Services	20.09
Teresita C. Eustaquio	Dept of Social Services, Deferred	11.26
David D. Feasel	General Services, Deferred	13.94
Peggy Flores	Child Support Services	19.35
Elizabeth Frye	Probation, Deferred	8.26
Sammie L. Gant	General Services	32.86
Nancy Goehring	Superior Court	22.71
Wanda C. Grove	General Services	29.25
Terry Hall	Sheriff	20.71
Robert D. Ho	Community Health, Deferred	17.26
David S. Kent	Dept of Social Services, Deferred	8.50
Lawrence C. Khoo	Dept of Social Services	20.14
James J. Koury	Public Works & Plan, Deferred	5.47
Barbara A. Kus	Dept of Social Services	23.53
Beverly Maurer	Dept of Social Services	9.73
Nancy Morales	Dept of Social Services	24.95
Millie I. Perry	Dept of Social Services	22.60
Richard G. Purcell	Sheriff	30.60
Steven Roberts	Dept of Social Services, Deferred	3.95
Gloria A. Santiago	Dept of Social Services	16.06
Joe S. Silva	Dept of Social Services, Deferred	0.21
Carol A. Smart	Dept of Social Services	15.80
Ricarda M. Torres	Community Health	33.99
Demitrios O. Tatum	Dept of Social Services, Deferred	15.72
Arleen Wise	Sheriff	29.06
Steven W. Wise	Sheriff	27.99

**\*6. Disability Retirements**

RECEIVED AND FILED; APPROVED

Jerry E. Ore	Public Works & Planning	8.85
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**\*7. Deferred Retirements**

RECEIVED AND FILED; APPROVED

Dorothy Akioyame	Community Health	7.74
Frances Calderon	Dept of Social Services	6.94
Karen J. Francone	Agriculture	27.88
Christopher P. Loethen	Public Defender	0.68

**Deferred Retirements  
Continued**

Paul Lyon	Public Defender	12.71
George Mack	Valley Medical Center	5.98
Michael F. Russler	Dept of Social Services	8.78
Joe Randall Wilson	Dept of Social Services	23.42
Jeanette Zamorano	Superior Court	8.62

- \*8. Public Records Requests and/or Retirement Related Correspondence from Theresa Pimentel, FCERA Member, Jessica Fraser, R.V. Kuhns & Associates; Kapila Gohel, HFM Week; John Kallenberg, REFCO; Gary Anderson, FCERA Member; and Brady Pyeatt, Strategic Marketing Solutions**

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. Board Communications**

RECEIVED AND FILED

- \*12. 2009-2010 Fresno County Grand Jury Final Report #6**

In response to a question from Michael Cunningham, FCERA Member, asking if the responses to the Grand Jury report will be made public, Roberto L. Peña, Retirement Administrator, noted that once the draft responses are approved by the Board they will be made public.

Chair Gomez requested that Administration compile and bring back to the Board a list of the contribution "holidays" taken by the County. Administration agreed.

In response to a comment from Trustee Crow that not all the Grand Jury questions and/or statements are directed toward FCERA, Mr. Peña noted that Administration will respond to those questions that pertain directly to FCERA.

**A motion was made by Trustee Jolly, seconded by Trustee Crow, to Accept Consent Agenda Item 12 as presented. VOTE: Unanimous (Absent – Cornacchia)**

RECEIVED AND FILED

- \*13. Request to surplus equipment that is no longer needed or not working**

RECEIVED AND FILED; APPROVED

**14. Discussion and appropriate action on Small Cap Value Mandate Search presented by Anne Westreich, Senior Consultant - Wurts & Associates**

Roberto L. Peña, Retirement Administrator, opened discussions by noting that Anne Westreich, Senior Consultant with Wurts & Associates was present to discuss the Small Cap Value Search process and that Jeffrey MacLean, Wurts & Associates, was available by telephone to aid Ms. Westreich in the discussion.

Mr. MacLean introduced Ms. Westreich to the Board noting that she has been a Senior Consultant with Wurts for approximately four years and has over 20 years of investment experience. Prior to working with Wurts, Ms. Westreich worked as a Small Cap Growth manager with Provident Investment Counsel.

Ms. Westreich gave a brief overview of the Small Cap Value search/screening process noting that, within the realm of small caps, screening criteria must accommodate the unique liquidity and capacity constraints associated with this asset class and with an eye towards achieving not only the most efficient risk adjusted returns, but maximizing the probabilities of maintaining long term relationships with investment managers.

Ms. Westreich stated that research leads Wurts to believe the best course of action in small cap screening is to lean towards larger strategies. This approach should minimize business risk and will likely do so without sacrificing potential risk adjusted returns. However, this approach narrows the field of candidates quite substantially. Wurts' solution to this concern is to expand the search criteria into the SMID (Russell 2500) value universe. Its current weighted average market cap is around \$2.2 billion, or twice that of the Russell 2000.

This larger market cap allows managers greater flexibility to deploy large sums of money without running into liquidity/trading issues. Adding SMID value mandates expands the manager opportunity set and mitigates concern over assets under management growth. SMID value and small value are essentially the same risk exposures.

Ms. Westreich noted that optimal R-squared (or fit) to the index should be examined not only from the standpoint of achieving the most efficient risk adjusted returns, but tolerance for benchmark tracking errors. Research indicates the cost of tightly hugging the benchmark is somewhat high in terms of potentially sacrificed risk adjusted returns (or opportunity cost). It is Wurts estimation that it appears managers with r-squares to their benchmark for the high 80's to low/mid 90's appear to offer the optimal risk adjusted returns.

Ms. Westreich noted six managers that meet Wurts' criteria ~ Systematic Financial Management, Lord Abbett & Company, Snyder Capital Management, Integrity Asset Management, WEDGE Capital Management, and Dimensional Fund Advisors.

The following were recommended by Wurts for further consideration by the Board:

- Integrity Asset Management, LLC
- Lord Abbett & Company
- Systematic Financial Management

Detailed discussions ensued regarding the pros and cons of the various products including strategy basics, performance, characteristics, and fees.

**A motion was made by Trustee Souza, seconded by Chair Gomez, to select Integrity Asset Management LLC, Lord Abbett & Company and Systematic Financial Management for further consideration. VOTE: Yes – Cardenas, Crow, Gomez, Hackett, Jolly, Larson, Souza. No – Criego. (Absent – Cornacchia)**

RECEIVED AND FILED; APPROVED

**15. Discussion and appropriate action on Watch List Policy recommendation presented by Anne Westreich, Senior Consultant - Wurts & Associates**

Anne Westreich, Wurts & Associates opened discussions by noting that employing investment managers that underperform is unfortunately to be expected. It is nearly inconceivable that a Plan the size of FCERA will not always have an investment advisor that is underperforming the benchmark. Advocates of watch policies are typically concerned about preventing underperforming investment managers from going unnoticed by their supervising fiduciaries or providing some uniform standards for fiduciaries to judge the effectiveness of the active managers.

Wurts & Associates recommends that FCERA implement a scorecard watch list system to measure the standards for each manager on a quarterly basis. Should the Board agree with the Watch Policy recommendation, the next step would be for Wurts to draft a section to be inserted into the Investment Policy Statement for approval by the Board of Trustees.

Ms. Westreich noted that once a manager is placed on “watch”, a letter will be drafted notifying the manager they have been placed on watch. The letter will prompt a conference call with the manager to review the portfolio and the underlying reasons for the underperformance. For each quarter the manager remains on watch, a joint conference call between Wurts, FCERA and the manager will be conducted. If Wurts decides to recommend termination, a memorandum recommending termination will be drafted and sent to FCERA for consideration. This memorandum will contain not only the rationale for termination, but also a recommended approach to transitioning the assets. Wurts believes it is important that a watch policy not limit FCERA’s ultimate discretion to terminate a manager at any time for any reason.

Detailed discussion ensued regarding the proposed standards which will lead to a watch recommendation and the outline of the proposed quarterly report.

**A motion was made by Trustee Crow, seconded by Trustee Hackett, to Approve the recommended Watch List Policy recommendations as presented. VOTE: Unanimous (Absent – Cornacchia)**

RECEIVED AND FILED

At this time, the Board discussed scheduling a Special Meeting to hear the investment presentations of the Small Cap Value and Large Cap Growth Managers.

**A motion was made by Trustee Criego, seconded by Trustee Crow, to direct Administration to schedule separate Special Meetings to hear the upcoming investment managers’ presentations (Large Cap Growth and Small Cap Value). VOTE: Unanimous (Absent – Cornacchia)**

**16. Discussion and appropriate action on request for the Board of Supervisors to include FCERA Administration in the review of any retirement related proposals prior to adoption**

Trustee Jolly opened discussions by noting the importance of communication between the County Board of Supervisors (BOS) and the Board of Retirement and requested that Administration prepare a letter requesting that the BOS include FCERA in the review of any retirement related proposals prior to BOS adoption.

Trustee Jolly acknowledged that the Board of Retirement does not intend to participate in the creation of any proposed benefits; it simply would like to address the impact of BOS proposals of any retirement related issues prior to BOS adoption.

**A motion was made by Trustee Criego, seconded by Trustee Hackett, to Direct Administration to draft a letter for Board approval requesting that the Board of Supervisors include FCERA the review of any retirement related proposals prior to BOS adoption. VOTE: Unanimous (Absent – Cornacchia)**

RECEIVED AND FILED; APPROVED

**17. Discussion and appropriate action to reconsider the Board Meeting Calendar moving the July 21, 2010 Regular meeting to July 14, 2010**

Roberto L. Peña, Retirement Administrator, opened discussions by reminding the Board that the July 7, 2010 Regular Board Meeting had not been scheduled due to the July 4<sup>th</sup>. Mr. Peña suggested that the Board schedule a meeting for July 14, 2010 instead of the July 21, 2010 due to the length of time between Regular meetings.

**A motion was made by Trustee Larson, seconded by Trustee Crow, to schedule a Board Meeting for July 14, 2010 and to cancel the July 21, 2010. VOTE: Unanimous (Absent – Cornacchia)**

RECEIVED AND FILED; APPROVED

**18. Discussion and appropriate action on SACRS Board of Directors Elections Amended Recommended Ballot**

Roberto L. Peña, Retirement Administrator, opened discussions by noting that SACRS had submitted an Amended Recommended Board of Directors Election Ballot which reflects an update to include a vacancy of the Treasurer seat.

Mr. Peña reminded that Board that it could choose to submit a write-in candidate at this time.

**A motion was made by Trustee Souza, seconded by Trustee Crow, to Approve the Amended Recommended Ballot as presented. VOTE: Unanimous (Absent – Cornacchia)**

RECEIVED AND FILED; APPROVED

**19. Discussion and appropriate action on request by SEIU Local 521 to establish a payroll deduction from Retirees benefit checks**

Becky Van Wyk, Assistant Retirement Administrator, opened discussions by stating that Administration received a request from SEIU Local 521 to withhold dues from retirement benefits for those members who sign and submit an authorization form. Ms. Van Wyk noted that FCERA currently withholds and forwards membership dues for the Retired Employees of Fresno County (REFCO) on a monthly basis.

Ms. Van Wyk noted that Administration had been advised by Fiduciary Counsel that before the Board can implement such deductions, the governing body of each of the plan sponsors must authorize deductions. However, FCERA Administration believes that it would be more efficient to first determine if the Retirement Board would agree to processing the deductions before SEIU Local 521 requests authorization from each of the plan sponsors.

In response to concerns raised by Trustee Souza that Administration had incurred legal fees by requesting input from counsel prior to getting Board approval, Trustee Crow expressed her appreciation to Administration for conducting the necessary research before approaching the Board with the issue. In addition to Trustee Crow's statement, Roberto L. Peña, Retirement Administrator, reminded the Board that it is Administration's role to conduct research which may include obtaining advice from legal counsel before matters are brought before the Board. Mr. Peña noted that costs incurred in researching the issue were minimal and within the realm of Administration's judgment.

Discussion ensued regarding the costs the Plan will incur in implementing the withholding of dues from the members' benefit allowances. Ms. Van Wyk noted that the Plan will incur costs because staff time will be required to assist in implementing the monthly processes/procedures to deduct the dues from the members' benefit allowances as well as implementing the deductions hence forth.

Mr. Peña stated that, although FCERA currently withholds monthly deductions for approximately 1,800 REFCO members at no charge to REFCO, the Board could impose a fee for processing such deductions for SEIU. However, he does not recommend this approach and suggested that the Board direct Administration to work with SEIU to determine whether the proposed service will justify any costs to the Plan. The possibility of charging a fee should be held open in case processing the deductions becomes excessively cumbersome in the future.

**A motion was made by Trustee Crow, seconded by Vice Chair Hackett, to direct Administration to develop a fee schedule for all agencies requesting deductions from retirees' benefit allowances and to agendize the results for further discussion by the Board.**

Les Jorgensen, REFCO Benefits Committee Chairman, reminded the Board that REFCO is a non-profit organization under Government Code Section 501(c)(4) and has provided a service to the members of FCERA "semi-officially" for over forty years. Mr. Jorgensen expressed his concern that, because SEIU has requested a withholding of dues for its members, REFCO may now be required to pay for the service after not doing so for more than forty years. Mr. Jorgensen requested that the language referring to REFCO be deleted from the proposed resolution.

Diana Vasquez, SEIU Local 521, gave a brief overview of the services provided to FCERA retirees and requested that the Board approve their request for the deduction of dues as is currently done for REFCO.

Detailed discussions ensued regarding whether reference to REFCO should be included in the resolution in that REFCO is not part of SEIU's request.

Trustee Crow amended her motion as follows:

**To direct Administration to develop a fee schedule for all agencies requesting deductions from retirees' benefit allowances and to work with counsel to address REFCO's concerns regarding the resolution language and agendize the results for further discussion by the Board.**

After considerable discussion, Trustee Crow amended and finalized her motion, seconded by Trustee Souza, as follows:

**To Table the issue until SEIU Local 521 seeks approval from the Plan sponsors. VOTE: Yes – Cardenas, Criego, Crow, Gomez, Larson, Souza. No – Hackett, Jolly. (Absent – Cornacchia) MOTION PASSED.**

RECEIVED AND FILED; APPROVED

Roberto L. Peña, Retirement Administrator, pulled Closed Session Agenda Item 20.A.1. as there was nothing to discuss.

**20. Closed Session:**

**A. 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

**B. Disability Retirement Applications – Personnel Exception (G.C. §54957):**

1. Dora Mugica

**21. Report from Closed Session**

20.A.1. Pulled.

20.B.1. Dora Mugica – Decision – To Approve the Findings of Fact and Decision granting Service Connected Disability Retirement benefits. M – Jolly. S – Souza. VOTE: Unanimous (Absent – Cornacchia, Crow)



**22. Report from FCERA Administration**

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

1. The Board of Supervisors approved the recommended rates included in the Actuarial Valuation as of June 30, 2009.
2. The Board of Supervisor, Chair Judy Case, requested information on the employer contribution rates for the UAAL.
3. The Board of Supervisors have requested a Joint meeting with the Board of Retirement to discuss the Unfunded Actuarial Accrued Liability (UAAL) rate increase.
4. Carol Sheela, Retirement Benefits Manager, retired on April 3, 2010. Administration hired Kelly Prinz from the Auditor Controller's office to fill the position.
5. Administration will schedule a meeting with the Budget Committee to discuss the 2010-11 FCERA budget.

**23. Report from County Counsel**

Susan Coberly, Senior Deputy County Counsel, suggested that a Personnel Committee meeting be scheduled to begin work on the Administrator Salary Survey that was authorized by the Board last year.

**24. Board Member Announcements or Reports**

The Trustees had nothing to report.

There being no further business, the meeting adjourned at 10:49 AM.

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Roberto L. Peña  
Secretary to the Board