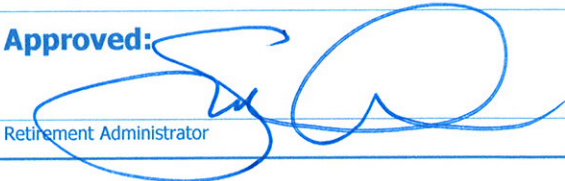




RETIREMENT BOARD POLICY AND REFERENCE MANUAL

SUBJECT: COMMITTEE CHARTER	Section: 2-4 Adopted/Revised: 6/11/2008
SYSTEM(S): JOINT	Approved:  Retirement Administrator

PURPOSE

The Retirement Boards' primary mission is to prudently administer the Retirement Systems of the City of Fresno for the direct benefit of the City's employees and retirees. Our goals are to maintain financially sound retirement systems, continuously improve the delivery of benefits and services, foster an organizational structure and environment that encourages professionalism, productivity, innovation and team work and to actively anticipate, influence and respond to external challenges and opportunities.

To achieve the Boards' mission and goals, the Boards have determined that it is necessary to establish standing Committees to provide direction and control to the Boards in fulfilling their ongoing fiduciary duties.

POLICY

Committee Structures and Responsibilities

1. There shall be two standing Committees of the Boards:
The Investment Committee and the Administrative Committee
2. Both standing Committees shall have a Chairperson who shall report monthly to the Boards a summary of the activities of the Committee and any recommendations of the Committee.
3. Each Board member shall be a member of both Standing Committees.

There shall be two types of committees, standing committees and special or ad hoc committees. A special or ad hoc committee may be formed by appointment of a Board Chair.

The Boards may refer or commit matters under consideration to the Committees. A standing committee remains in existence unless modified by a change in Board policy, whereas a special or ad hoc committee ceases to exist upon completion of the assigned task and/or submittal of a final report.

Committees shall receive such assignments as fall within their jurisdiction and are committed to it by either an adopted motion of the Boards or referral by the Retirement Administrator. Special or ad hoc committees shall not be established for a matter that falls within the jurisdiction of a standing committee.

Special or ad hoc committees can be appointed by either or both Chair depending on the subject matter.

RESPONSIBILITIES OF COMMITTEES

A. INVESTMENT COMMITTEE

The objective of the Investment Committee is to guide the future evolution of the Boards' Investment Policy and to direct the Boards in their ongoing evaluation of the mission, goals and objectives of each Retirement System through the prudent overseeing of the systems' assets. Investment asset management has been delegated to the Investment Managers, but the fiduciary responsibility for the assets lies with each Board. The Investment Committee serves to regulate and enforce each Board's mandates in relation to the investments of the assets.

The Investment Committee shall be empowered to take action as necessary to fulfill their duties and to act and make final recommendations to the Boards under the following guidelines:

- The investment of the assets has been conducted solely in the interest of each system's participants and beneficiaries and for the exclusive purpose of providing benefits for participants and their beneficiaries.
- The Committee and each Board is subject to the "prudent person" standard of care.
- The investment of plan assets has been properly diversified.
- It is the responsibility of the Investment Committee to insure that the managers are acting in an approved manner consistent with the Boards' investment goals and objectives, including performance requirements.

The Investment Committee shall perform the following functions:

- 1. Conduct Asset Allocation Studies**
 - 1.1. Determine the characteristics of the System's liabilities in terms of the System's cash flow
 - 1.2. Evaluate the funded status of each System
 - 1.3. Evaluate active and retired demographics for each System
 - 1.4. Model plan payments for 50-70 years into the future for each System
 - 1.5. Project expected contribution rates and variability in rates for each System
- 2. Develop Asset Mix Alternatives to Meet Liability Requirements**
 - 2.1. Establish asset classes
 - 2.2. Determine asset class benchmarks
 - 2.3. Develop risk, return and correlation projections
- 3. Evaluate Efficient Frontier Alternatives**
 - 3.1. Define risk, return and correlation
 - 3.2. Evaluate Mean variance optimization
 - 3.3. Determine low risk alternatives and high risk alternatives
 - 3.4. Scale portfolios between two extremes
 - 3.5. Evaluate optimized efficient frontier
 - 3.6. Integrate optimized efficient frontier with asset-liability relationships
- 4. Analyze Board Risk Tolerance**
 - 4.1. Assess risk/reward trade-offs
 - 4.2. Assess contribution rate sensitivity and variability
 - 4.3. Assess ability to exceed actuarial interest rate
 - 4.4. Assess comfort level with characteristics of specific asset mixes
- 5. Recommend to Board Preferred Asset Mix**
 - 5.1. Evaluate differences from current target
 - 5.2. Evaluate Board's willingness to implement new target asset mix
 - 5.3. Evaluate appropriateness of variance from target asset mix
- 6. Recommend Amendments to Investment Objectives and Policy**
 - 6.1. Adjust target asset mix
 - 6.2. Introduce new benchmarks
 - 6.3. Include required asset class/portfolio modifications
 - 6.4. Insure compliance with the Investment Goal and Objectives Policy
- 7. Recommend for Consideration by the Boards any revisions to the Portfolio Manager Structure**

- 7.1 Recommend adjustments to manager style structures as necessary
- 7.2 Recommend the introduction of new managers and new asset classes as necessary
- 7.3 Recommend termination of managers and elimination of asset classes as necessary
- 7.4 Establish active and passive allocation targets as appropriate

8. Implement Changes to the Portfolio Manager Structure

- 8.1 As deemed necessary by the Investment Committee, the Committee is empowered to conduct manager evaluations and searches including the authority to carry out due diligence site visitations and make final recommendations on portfolio managers to the Boards
- 8.2 Recommend time-line and approach to revise the manager structure
- 8.3 Establish portfolio and asset allocation rebalancing procedures

9. Evaluate Portfolio Manager Performance

- 9.1 Regularly monitor the performance results of investment managers
- 9.2 Assess consistency of portfolio decision making
- 9.3 Evaluate organizational, ownership, personnel and other firm developments

10. Recommend and Evaluate Investment Consultant Services, Custodial Services and Related Performance to the Boards

- 10.1 Recommend for consideration by the Boards the hiring, retention or termination of any Investment Consultant(s) and Custodian banks, including any due diligence site visitations as required by the Committee
- 10.2 Define and assign special assignments or projects as requested by the Boards
- 10.3 Monitor performance of Investment Consultant and Custodian
- 10.4 Conduct Investment Consultant and Custodian evaluations
- 10.5 Evaluate organizational, ownership, personnel and other firm developments involving any portfolio managers, consultants or custodial banks either under contract with the Boards or firms under consideration for contracts

11. Evaluate and Recommend Revisions to the Economic Actuarial Assumptions and Other Actuarial Asset Considerations

- 11.1 As part of the System's Asset Allocation Plan development and analysis, the Committee will evaluate the data and methodology employed by the Actuary when setting the assumptions for inflation, investment return, salary increases and when establishing the actuarial value of assets and recommend revisions if necessary.

11.2 Assure that the Consultant integrates actuarial input with all asset liability modeling studies.

11.3 Evaluate the consistency of actuarial-economic and investment policies and processes.

12. Re-balance Assets in Accordance with Stated Policies

13. Initiate and Evaluate Special Investment Studies

14. Undertake Other Work Assigned to the Committee by the Boards

B. ADMINISTRATIVE COMMITTEE

It is the responsibility of the Administrative Committee to conduct periodic and systematic reviews of the Systems' non-investment policies and procedures applicable to ensure that the Boards comply with regulatory directions and mandates applicable to the Systems.

It is the responsibility of the Administrative Committee to ensure that service providers comply with the Boards' administrative policies, including overseeing of the independent auditor and the actuary.

The Administrative Committee shall perform the following functions:

1. Oversee Annual Audit Reports and Financial Controls

1.1 Select and recommend the Independent Financial Auditor to the Boards.

1.2 Review, revise and approve the annual audit work plan submitted by the Auditor

1.3 Monitor, review and comment on the work of the Auditor.

1.4 Monitor implementation of the Auditor's recommendations concerning Internal Controls.

1.5 Review and approve a monthly summary listing of all payments of Trust Expenses from the Systems' Operating Bank Account.

2. Oversee and Comply with Relevant Regulatory Requirements

3. Review Annual Actuarial Studies

3.1 Monitor all aspects of the actuarial process, other than those matters specifically delegated to the Investment Committee

- 3.2 Make recommendations to the Boards as appropriate
- 4. Review Relevant Benefit Administrative Policies and Procedures**
 - 4.1 Annually review the Deferred Retirement Option Programs (“DROP”)
 - 4.2 Review changes relating to the Board’s reciprocity program with CalPERS
 - 4.3 Review and evaluate the performance of the Board’s medical advisor
- 5. Oversee Non-investment Related Board Policies**
 - 5.1 Monitor, review and recommend amendments to policies to ensure ethical and prudent actions
- 6. Review Non-investment Related Contracts**
 - 6.1 Review and approve annual maintenance fee for pension administration system.
 - 6.2 Review and recommend for consideration by the Boards contracts for legal counsel, actuary, web-site contractor and other professional service providers.
- 7. Review of Management Services**
 - 7.1 The Committee shall review and evaluate staff’s proposed budgets for the Systems’ Retirement Office and Trust Fund Budgets and make recommendations to the Boards before June of each year.
 - 7.2 The Committee shall also review and monitor the Systems’ budgets on an ongoing basis and make recommendations to the Boards as necessary.

1. *Adopted 9/18/2002*
2. *Reviewed and accepted 2/28/2008.*
3. *Revised Committee structure, adopted 6/11/2008*