



**CITY OF FRESNO RETIREMENT SYSTEMS
REGULAR MEETING OF THE INVESTMENT COMMITTEE**

MINUTES

August 23, 2011

Investment Committee held a meeting in Retirement Office, 2828 Fresno St., 2nd Fl., Board Chamber, Room 202, Fresno, California at the hour of 8:30 AM on the day above written.

ROLL CALL AT 8:30 AM

COMMITTEE MEMBERS PRESENT: Jeff Beatty, Paul Cliby, Joe Gray, Randy Nason, Michael Reid, David Newton and Daniel Ray

Members Absent: Mark Scott, Oscar Williams, Marvell French

Stanley McDivitt, Retirement Administrator, Kathleen Riley, Asst. Retirement Administrator, Tom Toth, Wilshire Investment Consultants, Pattie Laygo, Executive Assistant.

APPROVE MINUTES

Approve minutes of June 28, 2011, Regular Meeting of the Investment Committee.

ACTION: Approved/Adopted

ON MOTION by Member Cliby seconded by Member Newton to approve the minute of June 28, 2011, Regular meeting of the Investment Committee, DULY CARRIED RESOLVED by the following vote:

AYES: Beatty, Gray, Cliby, Nason, Newton, Reid

NOES: None

ABSTAIN: None

ABSENT: French, Scott, Williams

APPROVE AGENDA

Approve agenda of August 23, 2011, Regular Meeting of the Investment Committee.

ACTION: Approved/Adopted

On motion by Member Cliby seconded by Member Newton to approve the agenda of August 23, 2011, Regular meeting of the Investment Committee, DULY CARRIED RESOLVED BY the following vote:

AYES: Beatty, Gray, Cliby, Nason, Newton, Reid

NOES: None

ABSTAIN: None

ABSENT: French, Scott, Williams

TIMED SCHEDULED HEARINGS AND MATTERS

8:30 AM Conduct Annual Election of the Chair and Vice Chair of the Investment Committee.

ACTION: Approved/Adopted

Upon call, nominations for Chair are called by Chair Beatty. Upon call nominations are closed.

ON MOTION BY Member Newton seconded by Member Cliby to nominate Jeff Beatty as Chair of the Investment Committee, DULY CARRIED RESOLVED by the following vote:

AYES: Beatty, Gray, Cliby, Nason, Newton, Reid

NOES: None

ABSTAIN: None

ABSENT: French, Scott, Williams

Upon call, Chair Beatty requests nominations for Vice Chair.

Upon call by Chair Beatty, nominations for Vice Chair are closed.

ON MOTION BY Member Cliby seconded by Member Newton to nominate Randy Nason as Vice Chair of the Investment Committee, DULY CARRIED RESOLVED by the following vote:

AYES: Beatty, Gray, Cliby, Nason, Newton, Reid

NOES: None

ABSTAIN: None

ABSENT: French, Scott, Williams

8:35 AM

Presentation and review of Northern Trust Securities Lending and Brokerage Commission Recapture Programs.

ACTION: Received

The Committee received and accepted presentation by Don Anderson and Antwon McGruder from Northern Trust Global Securities Lending.

A. CONSENT CALENDAR

1. Approve date and time of the next Regular Meeting of the Investment Committee scheduled at 8:30 a.m. on September 20, 2011.

ACTION: Approved/Adopted

ON MOTION by Member Cliby seconded by Member Nason to approve the consent calendar, DULY CARRIED RESOLVED by the following vote:

AYES: Beatty, Gray, Cliby, Nason, Newton, Reid, Scott

NOES: None

ABSTAIN: None

ABSENT: French, Scott, Williams

B. AGENDA ITEMS

1. Continued Education pertaining to Asset Allocation presented by Thomas Toth, of Wilshire Associates.

ACTION: Received

The Committee received and discussed asset allocation educational review by Stephen M. Marshall and review of capital market assumptions by Thomas Toth, Managing Directors of Wilshire Associates.

2. Review and accept the Investment Performance Reports from Wilshire Associates for the Quarter ending June 30, 2011.

ACTION: Accepted

The Committee reviewed and accepted the Investment Performance Reports for the quarter

ending June 30, 2011, as summarized by Tom Toth.

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3. Review, discussion and direction on Investment Manager Monitoring and Evaluation Reports for the Period Ending June 30, 2011.

ACTION: Accepted

The Committee reviewed and accepted monitoring and evaluation reports presented by Tom Toth, for the period ending 6/30/2011 and 7/31/2011, and discussed memorandum from Tom Toth regarding Principal Intentional Equity On-Site Notes and Review, letter from Vera Trojan, Portfolio Manager - Wellington Emerging Markets Equity Portfolio, and JPMorgan Strategic Property Fund - Quarterly Report of 6/30/2011 and letter from Anne Pfeiffer, Managing Director and Portfolio Manager Global Real Assets. Also discussed list of managers designated Under Review status, managers not designated Under Review but with negative excess benchmark net of fee returns inception to date, and managers with positive excess benchmark net of fee returns inception to date.

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4. Review, discuss and consider request from Baillie Gifford to hold an Argentina (Frontier Country) ADR in the ACWixUS portfolio.

ACTION: Approved/Adopted

The Committee reviewed and discussed staff and Investment Consultant's recommendation to recommend that the Board approve a side letter agreement authorizing the purchase of the Yacimientos Petroliferos Fiscales (YPF) ADR in the System's Baillie Gifford portfolio.

ON MOTION by Member Cliby seconded by Member Nason to approve recommendation to the Board to approve a side letter agreement with Baillie Gifford authorizing the purchase of the Yacimientos Petroliferos Fiscales (YPF) ADR in the Systems' Baillie Gifford portfolio, DULY CARRIED RESOLVED by the following vote:

AYES: Beatty, Gray, Cliby, Nason, Newton, Reid

NOES: None

ABSTAIN: None

ABSENT: French, Scott, Williams

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5. Review, discuss and consider Domestic Equity Portfolios - Small Capitalization Policy Modification.

ACTION: Approved/Adopted

The Committee reviewed clarification of Board policy provided by staff and accepted proposal for a slight modification to the language.

ON MOTION by Member Cliby seconded by Member Nason to approve recommendation to the Board to accept the modification for Domestic Equity Portfolios-Small Cap in the Boards' Investment Objectives and Policy Statement to require investments to be primarily in the market capitalization range of their respective Russell 2000 (Growth or Value) Index, DULY CARRIED RESOLVED by the following vote:

AYES: Beatty, Gray, Cliby, Nason, Newton, Reid

NOES: None

ABSTAIN: None

ABSENT: French, Scott, Williams

6. Annual evaluation and performance review of Investment Consultant and Consulting Firm relating to the agreement between Wilshire Associates and the City of Fresno Retirement Systems dated May 1, 2003.

ACTION: Approved/Adopted

The Committee discussed evaluation of Wilshire Associates and Thomas Toth, Investment Consultant, and approved recommendations to assign investment legal counsel the project to review and comment on existing contract with Wilshire Associates, to work with Wilshire to determine the appropriate level or definition for due diligence and incorporate those standards of due diligence in policy and to formally request that Wilshire provide information on any actions relating to fraud detection that it has taken in the aftermath of Westridge.

ON MOTION by Member Cliby seconded by Member Gray to assign investment legal counsel, Tom Hickey of Foley & Lardner to review and comment on the existing contract between Wilshire Associates and the City of Fresno Retirement Systems, DULY CARRIED RESOLVED by the following vote:

AYES: Beatty, Gray, Cliby, Nason, Newton, Reid

NOES: None

ABSTAIN: None

ABSENT: French, Scott, Williams

7. Review asset allocation of the portfolio and drawback for August/September 2011 Expenses

ACTION: Approved/Adopted

The Committee reviewed and considered staff recommendation for monthly drawback in August and September 2011 to fund benefit payment expenses.

ON MOTION by Member Cliby seconded by Member Newton to approve staff recommendation authorizing a withdrawal of \$5.2 million for funding of benefits payments for August 2011 and up to \$4.8 million for funding of benefit payments for September 2011 from BlackRock (S&P 500) Equity Index Fund, DULY CARRIED RESOLVED by the following vote:

AYES: Beatty, Gray, Cliby, Nason, Newton, Reid

NOES: None

ABSTAIN: None

ABSENT: French, Scott, Williams

C. INFORMATION ONLY ITEMS

1. Northern Trust Monthly Portfolio Performance Reports as of June 30 and July 31, 2011.

ACTION: Received

2. Northern Trust Monthly Asset Allocation Overview as of June 30 and July 31, 2011.

ACTION: Received

3. Monthly Fixed Income Analysis Report as of June 30 and July 31, 2011.

ACTION: Received

4. June 21, 2011, Pensions & Investments, J.P. Morgan settles with SEC over mortgage securities deal.

ACTION: Received

5. July 20, 2011, Northern Trust, Market Commentary – Understanding the U.S. Debt Ceiling Situation.

ACTION: Received

6. July 21, 2011, The TCW Group, Inc. – TCW's lawsuit against DoubleLine Capital and Jeffrey Gundlach

ACTION: Received

7. July 2011, Baillie Gifford – ACWlexUS Alpha – A Year in Review.

ACTION: Received

8. Second Quarter 2011 Investment Review – Eagle Asset Management Small Cap Growth.

ACTION: Received

9. July 2011, Monthly Commentary, Pyrford International.

ACTION: Received

10. August 2011, Investment Outlook, Bill Gross, PIMCO, Kings of the Wild Frontier.

ACTION: Received

11. August 2, 2011, SignOn San Diego, County pension fund earns less than peers.

ACTION: Received

12. August 2011, Market Commentary by Byron Wien – Looking Beyond the Twin Crises.

ACTION: Received

13. August 9, 2011, Wilshire – 2011 Market Sell-Off: Investor Implications.

ACTION: Received

D. PROPOSED AGENDA ITEMS FOR NEXT COMMITTEE MEETING

1. Asset Allocation Education Continues
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E. UNSCHEDULED ORAL COMMUNICATIONS

1. Kyle R. Kirkland – President Club One Casino – letter requesting opportunity to discuss a possible refinancing of Club One Casino, Inc.

ACTION: Received

The Committee received introduction by Mike Dages of a presentation by Mr. Kyle Kirkland regarding an investment proposal with Club One Casino Inc..

F. PUBLIC COMMENTS

None

G. ADJOURNMENT

12:00 pm
