



CITY OF FRESNO RETIREMENT SYSTEMS
REGULAR JOINT MEETING OF THE RETIREMENT BOARDS

MINUTES

June 27, 2017

The Employees and Fire and Police Retirement Boards met in a joint session in Retirement Office, 2828 Fresno St., 2nd Fl., Board Chamber, Room 202, Fresno, California at the hour of 1:00 PM on the day above written.

ROLL CALL AT 1:04 PM

Members Present for the EMPLOYEES RETIREMENT BOARD
Phillip Hardcastle, TJ Miller, Marvell French, David Cain

Members Absent: Jane Sumpter

Members present for the FIRE AND POLICE RETIREMENT BOARD

Michael Reid, David Newton, Jonathan Lusk, Ted Semonious, Lynn Bennink

Members Absent: None

Also Present: Don Stracke, Investment Consultant, Robert Theller, Retirement Administrator, Kathleen Riley Brown, Assistant Retirement Administrator, Pattie Laygo, Executive Assistant

APPROVE MINUTES

Approve the minutes of June 14, 2017, Regular Joint Meeting of the Retirement Boards.

ACTION: Approved/Adopted

ON MOTION BY Member Miller seconded by Member Cain to approve the minutes of June 14, 2017, Regular Joint Meeting of the Retirement Boards, DULY CARRIED RESOLVED by the following vote:

AYES: Hardcastle, Miller, French, Cain

NOES: None

ABSTAIN: None

ABSENT: Sumpter

ON MOTION BY Member Semonious seconded by Member Lusk to approve the minutes of June 14, 2017, Regular Joint Meeting of the Retirement Boards, DULY CARRIED RESOLVED by the following vote:

AYES: Reid, Newton, Lusk, Semonious

NOES: None

ABSTAIN: None

ABSENT: None

APPROVE AGENDA

Approve agenda of June 27, 2017, Regular Joint Meeting of the Retirement Boards.

ACTION: Approved/Adopted

ON MOTION by Member Miller seconded by Member Cain to approve the agenda of June 27, 2017, Regular Joint Meeting of the Retirement Boards, DULY CARRIED by the following vote:

AYES: hardcastle, Miller, French, Cain

NOES: None

ABSTAIN: None

ABSENT: Sumpter

ON MOTION by Member Lusk seconded by Member Semonious to approve the agenda of June 27, 2017, Regular Joint Meeting of the Retirement Boards, DULY CARRIED by the following vote:

AYES: Reid, Newton, Lusk, Semonious

NOES: None

ABSTAIN: None

ABSENT: None

TIMED SCHEDULED HEARINGS AND MATTERS

1:00 PM Conduct swearing-in of Lynn Bennink, Outside Board Member on the Fire and Police Retirement Board.

ACTION: Other

Administrator Theller conducts swearing in of Mrs. Lynn Bennink appointed as the Outside Member on the Fire and Police Retirement Board.

1:05 PM 1. Consider and accept Deferred Retirement Option Program Cost Neutrality Study presented by The Segal Company.

ACTION: Approved/Adopted

The Boards received and accepted presentation by Paul Angelo and Andy Yeung of Segal Consulting who provided a summary of conclusions and methods used in cost neutrality report of the Deferred Retirement Option Program (DROP) for active members and accumulated amounts in the DROP accounts for DROP participants.

ON MOTION by Member Miller seconded by Member Cain to approve the agenda of June 27, 2017, Regular Joint Meeting of the Retirement Boards, DULY CARRIED by the following vote:

AYES: Hardcastle, Miller, French, Cain

NOES: None

ABSTAIN: None

ABSENT: Sumpter

ON MOTION by Member Semonious seconded by Member Lusk to approve the agenda of June 27, 2017, Regular Joint Meeting of the Retirement Boards, DULY CARRIED by the following vote:

AYES: Reid, Newton, Lusk, Semonious, Bennink

NOES: None

ABSTAIN: None

ABSENT: None

1:30 PM 2. Baillie Gifford ACWlexUS presentation and portfolio review provided by Matt Dey, Client Service Manager and Andrew Strathdee, an investment manager and member of the ACWI Alpha Portfolio Construction Group at Baillie Gifford.

ACTION: Accepted

The Boards received and accepted presentation by Matt Dey and Andrew Strathdee of Baillie Gifford who reviewed existing relationship and the Systems portfolio.

A. CONSENT CALENDAR

1. Approve date and time of the next Regular Joint Meeting of the Retirement Boards rescheduled to 1:00 pm on July 19, 2017.

ACTION: Approved/Adopted

ON MOTION by Member Miller seconded by Member Cain to approve the consent calendar, DULY CARRIED by the following vote:

AYES: hardcastle, Miller, French, Cain

NOES: None

ABSTAIN: None

ABSENT: Sumpter

ON MOTION by Member Lusk seconded by Member Semonious to approve the agenda of June 27, 2017, Regular Joint Meeting of the Retirement Boards, DULY CARRIED by the following vote:

AYES: Reid, Newton, Lusk, Semonious

NOES: None

ABSTAIN: None

ABSENT: None

B. EMPLOYEE PERSONNEL ISSUES

None

C. STAFF INITIATED ITEMS

1. None
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D. BOARD INITIATED ITEMS

1. Baillie Gifford ACWlexUS portfolio evaluation provided by Mr. Don Stracke, consultant at NEPC.

ACTION: Accepted

The Boards reviewed and discussed evaluation of Baillie Gifford ACWlexUS portfolio provided by Don Stracke, Investment Consultant.

2. Review, discuss and consider Baillie Gifford request for modification to the Boards' Investment Objectives and Policy Statement to remove sector guideline restrictions for ACWlexUS portfolios.

ACTION: Approved/Adopted

The Boards received summary and accepted staff's recommendation to approve the modification to remove the sector restriction of +12 percent for actively managed ACWlexUS portfolio managers.

ON MOTION by Member Miller seconded by Member Cain to approve the modification to amend the Boards' Investment Objectives and Policy Statement guidelines for actively managed ACWlexUS portfolios to remove the sector weight of +12 percent relative to the benchmark (MSCI ACWlexUS), DULY CARRIED by the following vote:

AYES: Hardcastle, Miller, French, Cain

NOES: None

ABSTAIN: None

ABSENT: Sumpter

ON MOTION by Member Lusk seconded by Member Newton to approve the modification to amend the Boards' Investment Objectives and Policy Statement guidelines for actively managed ACWlexUS portfolios to remove the sector weight of +12 percent relative to the benchmark (MSCI ACWlexUS), DULY CARRIED by the following vote:

AYES: Reid, Newton, Lusk, Semonious, Bennink

NOES: None

ABSTAIN: None

ABSENT: None

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3. Status Update on Direct Lending Manager allocations to new funds with Crescent Capital and Monroe Capital.

ACTION: Received

The Boards received update provided by Staff.

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4. Status Update on Infrastructure education and manager search process provided by NEPC.

ACTION: Received

The Boards received update provided by staff with Board direction to interview all three firms.

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5. Review, discuss and consider Zeno cost benefit examples.

ACTION: Received

The Boards reviewed and discussed update provided by Staff, requested more information and that staff prepare RFI for comprehensive trade cost analysis services and report back to the Boards.

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6. Review actual Asset Allocation as of May 31, 2017, update June 2017 drawback and direction on funding of Operating and Payroll Expenses for July 2017.

ACTION: Approved/Adopted

The Boards received background of asset allocation and drawback withdrawals as of May 31, 2017 provided by Staff.

ON MOTION by Member Miller seconded by Member Cain to authorize a drawback of up to \$14.5 million from the NTAM Russell 1000 in July and August 2017 to fund benefit payments and operating expenses, DULY CARRIED by the following vote:

AYES: Hardcastle, Miller, French, Cain

NOES: None

ABSTAIN: None

ABSENT: Sumpter

ON MOTION by Member Newton seconded by Member Cain to authorize a drawback of up to \$14.5 million from the NTAM Russell 1000 in July and August 2017 to fund benefit payments

and operating expenses, DULY CARRIED by the following vote:

AYES: Reid, Newton, Lusk, Semonious

NOES: None

ABSTAIN: None

ABSENT: None

7. Review, discuss and consider adoption of the FY2018 Proposed Budgets for Retirement System Trust Fund Budgets, Retirement Administration Operating Budget and Deferred Compensation Contract Services Budget.

ACTION: Approved/Adopted

The Boards received and considered budgets as presented by staff.

ON MOTION by Member Miller seconded by Member Cain to adopt the Fiscal Year 2018 Trust Fund budget for the Employees Retirement System and the Retirement Administration Operating and Deferred Compensation Budgets, DULY CARRIED by the following vote:

AYES: Hardcastle, Miller, French, Cain

NOES: None

ABSTAIN: None

ABSENT: Sumpter

ON MOTION by Member Newton seconded by Member Lusk to adopt the Fiscal Year 2018 Trust Fund budget for the Fire and Police Retirement System and the Retirement Administration Operating and Deferred Compensation Budgets, DULY CARRIED by the following vote:

AYES: Reid, Newton, Lusk, Semonious

NOES: None

ABSTAIN: None

ABSENT: None

E. GENERAL DISCUSSION

None

F. INFORMATION ONLY ITEMS

1. Northern Trust Monthly Portfolio Performance Reports as of May 31, 2017.

ACTION: Received

2. Northern Trust Monthly Asset Allocation Overview May 31, 2017.

ACTION: Received

3. Monthly Fixed Income Analysis Report May 31, 2017.

ACTION: Laid Over

4. Investment Manager Monitoring and Evaluation Report May 31, 2017.

ACTION: Received

5. Update of the NEPC Annual 2017 Work Plan

ACTION: Received

6. June 20, 2017, China will be part of a popular stock index, Opening Door to Foreign Money. (NY Times)

ACTION: Received

7. Agenda of the Regular Board Meeting of the Fresno City Employees Health and Welfare Trust Board held on Wednesday, June 14, 2017 and Minutes of May 10, 2016, Regular Board Meeting.

ACTION: Received

G. PROPOSED AGENDA ITEMS FOR NEXT BOARD MEETING

1. Potentially Oaktree and PCCP Value Add RE presentation and portfolio reviews.
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2. Infrastructure manager interviews/presentations.
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3. Infrastructure educational presentations NEPC.
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H. UNSCHEDULED ORAL COMMUNICATIONS

1. The Boards requested information regarding CryptoCurrency and Trade Costs.
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I. PUBLIC COMMENTS

1. The Boards received letter dated June 27, 2017 with Form SSA-1945 instructions and blank form attached, from Ms. Sandra Brock, Retiree of the Employees Retirement System, regarding Notification and Recordkeeping Requirements of Public Law 108-203.
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J. ADJOURNMENT

2:53 pm

Employees Retirement Board

Fire and Police Retirement Board