



CITY OF FRESNO RETIREMENT SYSTEMS
REGULAR MEETING OF THE INVESTMENT COMMITTEE

MINUTES

May 27, 2009

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 8:32 AM

COMMITTEE MEMBERS PRESENT: Paul Cliby, Carla Lombardi, Danny Aguirre, Jeff Beatty, Brian Burry, Marvell French and Daniel Ray

Members Absent: Ken Nerland (Budget meeting)

Stanley McDivitt, Retirement Administrator, Kathleen Riley, Asst. Retirement Administrator, Michael Schlachter of Wilshire Associates

APPROVE MINUTES

Approve minutes of April 15, 2009, Regular Meeting of the Investment Committee.

ACTION: Approved/Adopted

ON MOTION by Member Burry seconded by Member Williams to approve the minutes of April 15, 2009, DULY CARRIED RESOLVED by the following vote:

AYES: Cliby, Lombardi, Aguirer, Beatty, Burry, French, Williams

NOES: None

ABSTAIN: None

ABSENT: Nerland

APPROVE AGENDA

Approve agenda of the May 27, 2009, Regular Meeting of the Investment Committee.

ACTION: Approved/Adopted

ON MOTION by Member Lombardi seconded by Member Williams to approve the agenda of May 27, 2009, DULY CARRIED RESOLVED by the following vote:

AYES: Cliby, Lombardi, Aguirre, Beatty, Burry, French, Williams

NOES: None

ABSTAIN: None

ABSENT: Nerland

TIMED SCHEDULED HEARINGS AND MATTERS

8:30 AM Presentation and REIT portfolio performance review by Jake Anonson and Paul Stover Client Relationship Managers and Matt Richmond, Portfolio Manager of Principal Real Estate Investors.

ACTION: Received

Mr. Paul Stover reported that Jake Anonson has accepted a new position within the organization, provided an organizational update, reporting staff reductions primarily in structured products and real estate, that property and securities teams and international equity portfolios have not incurred staff reductions, that in November they applied for TARP, were approved this month, remain undecided and option will remain open. Since approved have raised under 2 billion in equity capital and believe they are in good financial position. Mr. Matt Richmond provided an update of the property securities team and overview and update of the equities market.

9:30 AM Presentation and REIT portfolio performance review by Christina Polito, Client Relationship Manager and Tim Pire, Portfolio Manager of HEITMAN Real Estate Securities LLC.

ACTION: Received

Ms. Christina Polito provided an overview of the firm and global real estate products. Mr. Tim Pire reviewed the structure of the group reporting no changes in the management or analyst team of the Systems portfolio, provided an overview of U.S. Real Estate Securities, REIT Market outlook, and portfolio position and performance. Extensive discussion followed with some questions from the Committee and Mr. Pire and Ms. Polita responding.

A. AGENDA ITEMS

1. Review and discuss Heitman and Principal REIT portfolio evaluations provided by Mr. Michael Schlachter for review, discussion and direction.

ACTION: Approved/Adopted

The Committee reviewed and discussed the REIT portfolio evaluations provided by Investment Consultant and accepted the reports.

2. Review and accept the Investment Performance Reports from Wilshire Associates for the quarter ending March 31, 2009.

ACTION: Received

The Committee accepted, reviewed and discussed report prepared by Michael Schlachter, Investment Consultant.

3. Review, discussion and direction on the quarterly update of the Investment Manager Monitoring and Evaluation report for the period ending March 31, 2009.

ACTION: Received

The Committee reviewed quarterly performance update and determined the Committee will continue diligent review of performance and discussions with the Investment Consultant.

4. Review, discuss and consider R.V. Kuhns & Associates, Inc. Public Fund Universe Analysis Report for the period ending December 31, 2008.

ACTION: Received

The Committee reviewed, discussed and accepted survey results.

5. Review, discuss and consider investment return assumptions for update of the surplus projection studies for both systems.

ACTION: Approved/Adopted

The Committee reviewed and discussed recommendations for the Surplus Projection Investment Return Assumptions for 2009 Study. The Administrator noted that the plus or minus one percent deviations beginning in FY2011 in the Optimistic and Pessimistic models are merely a 100 basis point deviation to extrapolate potential variances from the assumed return model and final numbers will not be available from the actuary for approximately two weeks.

6. Review, discussion and direction on recommendation to subscribe to eVestment Alliance Database.

ACTION: Approved/Adopted

The Committee reviewed and discussed the Committee's self evaluation and determined that the additional source of data and information would be a prudent enhancement to

investment manager search process and to recommend that the Board retain the application services and software provided by eVestment Alliance for a fee of \$12,000 for one user per year. Upon call by Chair Cliby, there were no objections by the Committee.

7. Review, discuss and define appropriate levels of Due Diligence.

ACTION: Received

The Committee reviewed staff report as presented and discussed the implementation of additional due diligence, conduct a final review, a modification to the screening process to include qualitative factors, better discussion for risk control, and legal review of investment manager agreements. The Committee also determined that staff develop a due diligence checklist process procedure policy that includes due diligence questions, pertinent documents, research capabilities, and summary evaluation of due diligence impressions. The Committee also discussed that there be more thorough discussion and evaluation by the new investment legal consultant, and direct staff to recommend that CALAPRS conduct a course for due diligence.

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

ACTION: Laid Over

The Committee determined that issue will be laid over pending further review, but staff can accept any completed evaluation forms for discussion at the next meeting.

9. Review, discuss and consider issues relating to CalPERS adoption of a Statement of Investment Policy for the Disclosure of Placement Agent Fees.

ACTION: Received

The Committee reviewed and discussed report and update by the Investment Consultant, and directed Staff to draft a Board policy for the disclosure of placement agent fees.

10. Status update and review of declared deficiency in the Northern Trust Securities Lending - USA Core Cash Collateral Pool.

ACTION: Received

The Committee reviewed update on the securities lending core USA collateral pool, and determined the Committee will continue to monitor and authorized staff to request additional information from Northern Trust as necessary.

11. Review, discussion and direction on request from Aberdeen to permit portfolio to hold specified Mortgage Backed Securities which may exceed below investment grade limit.

ACTION: Received

The Committee reviewed and discussed staff's recommendation that the Committee consider a side letter of direction to deal with the non-agency mortgage holdings within the Aberdeen Fixed Income Portfolio and to conduct an ongoing evaluation. Staff is directed to draft side letter agreement for the Committee's review.

12. Review, discussion and direction on the formal legal review of the Boards' Master Investment Manager, Master Custodial Bank and Securities Lending Agreements provided by K&L | Gates.

Laid Over to June meeting.

ACTION: Laid Over

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13. Annual review, discussion and direction on policy concerning Independent Advisory Member to the Investment Committee.

ACTION: Approved/Adopted

The Committee reviewed the administrative changes to the Policy. Staff also reported that Hilda Cantu Montoy has conducted ethics training and is available to provide ethics training to the Board. Member Burry requested discussion that the Committee consider an additional advisory member.

14. Review and approve rebalancing of the Portfolio and Drawback for June 2009 expenses.

ACTION: Received

The Committee reviewed and accepted staff's report to consider rebalancing of the portfolio and drawback at the July Committee meeting.

15. Review, discuss and consider issues relating to Barclays sale of Barclays Global Investors.

ACTION: Received

The Committee reviewed and discussed the potential sale of BGI with the Investment Consultant.

16. Review, update and prioritize Committee projects, activities and manager presentations for Calendar Year 2009.

ACTION: Received

The Committee accepted report as submitted. The Investment Consultant provided an overview and response to Kern County's placing Wilshire on watch.

B. INFORMATION ONLY ITEMS

1. Northern Trust Monthly Portfolio Performance Reports as of April 30, 2009.

ACTION: Received

2. Northern Trust Monthly Asset Allocation Overview as of April 30, 2009.

ACTION: Received

3. Monthly Fixed Income Analysis Report as of April 30, 2009.

ACTION: Received

4. May 4-6, 2009, news articles re: Wilshire Associates, Kern Co. & Westridge Capital.

ACTION: Received

5. May 6, 2009, Plansponsor.com article, Detroit City Employee Sues Trustees and Adviser over Risky Investments.

ACTION: Received

6. May 4, 2009, InvestmentNews article, Principal lays off 75 in asset management division.

ACTION: Received

7. March-April 2009, CFA Magaine, article How to Avoid the Next Madoff.
ACTION: Received

8. May 11, 2009, FUNDFire article, Legg's Western Shows Signs of a Turnaround.
ACTION: Received

9. April 15, 2009, SanDiego Tribune article, SEC chief: need tigher oversight of rating firms.
ACTION: Received

10. April 29, 2009, Bloomberg.com article, Flawed Credit Ratings Reap Profits as Regulators Fail.
ACTION: Received

11. April 16, 2009, P&Ionline.com article, CalPERS plans extreme hedge fund makeover.
ACTION: Received

12. April 23, 2009, Chicago Tribune article, Northern Trust Chairman:Firm Wants "Out of TARP".
ACTION: Received

13. April 16, 2009, Bloomberg.com article, Dimon Says He's Eager to Repay "Scarlet Letter" TARP.
ACTION: Received

14. April 13, 2009, Forbes article, Day of Reckoning.
ACTION: Received

15. April 23, 2009, P&I article, Heavy outflows plague AllianceBernstein.
ACTION: Received

16. May 12, 2009, Wilshire Consulting, SOS...____...TARP, TALF, PPIP, BAB.
ACTION: Received

17. May 5, 2009, FUNDFire, SEC Official Calls for Hedge Registration.
ACTION: Received

18. May 6, 2009, Bloomberg.com, Loomis Sayles Sells All of Its GM Deft, Quits Bondholder Group.
ACTION: Received

19. May 6, 2009, Bloomberg.com, Fed Seeks End to Wall Street Lock on OTC Derivatives.
ACTION: Received

20. May 6, 2009, FUNDFire, Global Managers in Short Supply, High Demand
ACTION: Received

21. May 11, 2009, Bloomberg.com, Gross Reduces U.S. Debt for FirstTime Since January.
ACTION: Received

22. May 11, 2009, Bloomberg.com, Goldman to Pay \$60 Million in Massachusetts Subprime Settlement.
ACTION: Received

23. May 15, 2009, Bloomberg.com, Prudential Among Insurers Cleared for U.S. Bailout.
ACTION: Received

24. May 14, 2009, Bloomberg.com, BlackRock High-Yield, High-Risk Debt Managers Resign From Firm.
ACTION: Received

25. May 18, 2009, FUNDfire, Public, Corporate Plan Allocations Diverge.
ACTION: Received

26. May 18, 2009, San Diego Business Journal, Stock Market Woes Lead to Billions in Pension Fund Losses.
ACTION: Received

27. May 16, 2009, Bloomberg.com, Placement Agents Likely to 'Go Away,' Illinois."
ACTION: Received

28. May 11, 2009, Fundfire.com, CalPERS Cracks Down on Middlemen.
ACTION: Received

29. May 11, 2009, FresnoBee.com, Taxpayers should watch as public pension scandal unfolds.
ACTION: Received

30. May 8, 2009, Propublica.org, Pension Scandal Two Resignations in LA.
ACTION: Received

31. May 8, 2009, Pensions&Investments, 2nd LA Fire and Police Board Member Resigns.
ACTION: Received

32. May 6, 2009, Fundfire.com, MassPRIM Defends Marketers as Others Ban Them.
ACTION: Received

33. May 4, 2009, Plansponsor.com, Connecticut's Nappier Adds Third-Party Manager Disclosures and Separating from Aldus Capital.
ACTION: Received

34. May 1, 2009, Plansponsor.com, LACERS Enacts Paid Agent Disclosure Rules.
ACTION: Received
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35. May 1, 2009, Pensions&Investments, LACERS to ask future hires about Placement Agents.
ACTION: Received
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36. April 30, 2009, Pension&Investments, California treasurer wants manager, agents review.
ACTION: Received
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37. April 24, 2009, Bloomberg.com, Quadrangle Paid Morris' Firm Fees for LA Investment.
ACTION: Received
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C. PROPOSED AGENDA ITEMS FOR NEXT COMMITTEE MEETING

1. Presentation and Portfolio Review with JPMorgan - SPF
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D. UNSCHEDULED ORAL COMMUNICATIONS

None

E. PUBLIC COMMENTS

None

F. ADJOURNMENT

11:32 a.m.
