



CITY OF FRESNO RETIREMENT SYSTEMS
REGULAR MEETING OF THE INVESTMENT COMMITTEE

ACTION AGENDA

March 19, 2008

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: Paul Cliby, Carla Lombardi, Ken Nerland, Doug Hecker, and Daniel Ray
Members Absent: KC Chen

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

APPROVE AGENDA

Approve the Investment Committee Agenda of March 19, 2008.

ACTION: Approved/Adopted

TIMED SCHEDULED HEARINGS AND MATTERS

8:30 AM Presentation and performance review of the Heitman REIT portfolio by Tim Pire – Portfolio Manager and Christina Polito, Senior Vice-President, Client Service and Marketing.

ACTION: Received

Ms. Christina Polito provided a brief overview of Heitman, the firm and changes in staffing added in Tokyo and in a new office in Moscow. Mr. Tim Pire presented an in-depth review of the investment philosophy, the portfolio's performance for calendar years 2007, 2006 and from inception to date July 2005 through February 29, 2008, and a review of the investment process with details on property types, sector and stock selections. Mr. Pire also presented a thorough review of the firms' REIT market outlook and providing insight on the themes to watch in 2008 which include strengthening of real estate fundamentals, capital flows to real estate from both private and public equity both domestically and globally. Issues of under-performance were addressed.

9:30 AM Presentation and performance review of the JPMorgan Strategic Property Fund by Anne Pfeiffer- Portfolio Manager, Joel Damon - Client Advisor and Ann Cole - Client Portfolio Manager

ACTION: Received

Mr. Joel Damon provided a real estate and infrastructure overview of JPMorgan Asset Management which included a thorough review of the firms' assets under management, the experienced, focused management team, and corporate structure of the Real Estate Americas group and product range. Ms. Anne Pfeiffer presented an in-depth review of the Strategic Property Fund's investment strategy, investment characteristics, risk and return expectations, property diversification by type and location, and a thorough review of recent acquisitions. Ms. Pfeiffer stated that the portfolio holds no hotels, no storage and is a defensive real estate portfolio. She also provided a review of the Strategic Property Fund performance for one, three, five and ten year periods as well as a review of the market outlook.

A. AGENDA ITEMS

1. Heitman REIT and JPMorgan Strategic Property fund portfolio evaluations provided by Mr. Michael Schlachter for review, discussion and direction.

ACTION: Accepted

Mr. Schlachter presented a review of the Heitman REIT portfolio and acknowledged that Wilshire could not prepare the same type of exhibits for the JP Morgan commingled fund as they do not have the actual securities for benchmark comparisons, style characteristics, or an index that can be compared in the same manner as for the REIT portfolios which are compared to the DJWilshire RESI. Nevertheless, Mr. Schlachter acknowledged that the JPMorgan fund performed better than reasonably expected over the past few years and given their style of management appear to be positioned to do well going forward. The Committee accepted his report and will consider Heitman's management of the asset class during this particular short term period of negative excess return.

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2. Review, discuss and consider the letter from Goldman Sachs concerning the Quantitative Investment Strategies (QIS) Group departures of senior professionals and 13 junior members of the team.

ACTION: Received

The Committee reviewed the letter from Goldman Sachs regarding personnel changes and given the recent underperformance of the portfolio will request a presentation and portfolio review to thoroughly discuss the changes directly with Goldman Sachs at the Committee's May meeting.

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3. Review, discuss and consider the Acadian Personnel Update provided by Ross Dowd of Acadian Asset Management, LLC.

ACTION: No Action

The Committee took no action on this item but requested additional information to be reviewed at the next meeting with regard to follow-up concerning Acadian's trading methodology and the dispersion between performance of the composite portfolio and the System's portfolio returns.

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4. Review, discuss and consider notice concerning Fidelity Investments settlement with the SEC.

ACTION: Received

The Committee accepted the report as information with no further action to be taken.

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5. Review monthly update of the Investment Manager Monitoring and Evaluation Review summary report.

ACTION: Received

The Committee accepted the updated report as information with no action to be taken this month. On a quarterly basis staff will present updated information and a recommendation for the Committee to consider.

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6. Review, discuss and consider reduced fee schedule for AXA Rosenberg US Large Cap portfolio.

ACTION: Received

The Committee accepted the reduced fee schedule provided by AXA Rosenberg and agreed that the action taken by AXA was appropriate although they are still the highest in that asset class for the Retirement Systems the fees are more aligned with other managers in the asset class.

7. Review, discuss and reconsider the Due Diligence Site Visitation Sub-Committee recommendation concerning on-site visitations conducted with finalists in the core plus fixed income manager search and address policy issues.

ACTION: Laid Over

Laid Over Pending Completion Of The Asset Allocation Plan And Target Mix

8. Consider staff recommendation for monthly drawback for operating and payroll costs.

ACTION: Received

The Committee accepted the report as information with no action to be taken this month based on prior direction and approval for the drawback in March 2008.

9. Review, discussion and direction on report provided by Michael Schlachter, Investment Consultant, evaluating all possible alternatives and ways to improve the Systems small cap equity asset class performance.

ACTION: Laid Over

Laid Over Pending Completion Of The Asset Allocation Plan And Target Mix

10. Final review, discussion and direction on recommendation to the Boards relating to the update of the Board's Asset Allocation Plan, Target Asset Mix and the proposed implementation plan.

ACTION: Laid Over

Pending Completion Of The International (Developed And Emerging Markets) Equity Manager Search Process.

11. Review, discuss and prioritize Investment Committee projects and activities and investment manager presentation schedule for Calendar Year 2008.

ACTION: Received

The Committee accepted the report provided for information with no action taken.

B. INFORMATION ONLY ITEMS

1. Northern Trust Monthly Portfolio Performance Reports as of February 29, 2008.

ACTION: Received

2. Northern Trust Monthly Asset Allocation Overview as of February 29, 2008.

ACTION: Received

3. Monthly Fixed Income Analysis Report as of February 29, 2008.

ACTION: Received

4. Action Agenda, Investment Committee Meeting February 20 and 25, 2008.

ACTION: Received

5. February 18, 2008, Financial Week article, AIG's losses show swaps next domino.

ACTION: Received

6. February 18, 2008, P&I online article, PBGC says goodbye to LDI.
ACTION: Received

7. February 19, 2008, FUNDfire article, PBGC Plots Major Shift to Equities, Alts.
ACTION: Received

8. February 20, 2008, PIMCO's power in Treasuries prompts class-action suit Gross says is nonsense.
ACTION: Received

9. February 20, 2008, Financial Week article, Corporate bond risk soars to record high on expected CDO losses.
ACTION: Received

10. February 20, 2008, FUNDfire article, Wilshire launches Multi-Manager 130/30.
ACTION: Received

11. February 20, 2008, WILSHIRE CONSULTING, Non-US Equity Investment Structure: Prudent Methods For Implementing an Allocation to Foreign Equity.
ACTION: Received

12. February 21, 2008, FUNDfire article, Former Hedge Manager Charged with Fraud.
ACTION: Received

13. February 21, 2008, FUNDfire article, SMA Assets Drop as Outflows Start.
ACTION: Received

14. February 21, 2008, Plansponsor.com article, Dow Jones Introduces Benchmarks for Lifecycle Funds.
ACTION: Received

15. February 25, 2008, Global Pensions, US Plans Move Into Emerging Markets.
ACTION: Received

16. March 4, 2008, FUNDfire article, Buffett Warns Pensions Heading for Disaster.
ACTION: Received

17. March 5, 2008, FUNDfire article, Goldman Asset Management Co-Head to Leave.
ACTION: Received

18. March 10, 2008, Financial Week, Changing Bond Managers Trickier Amid Credit Seize-Up.
ACTION: Received

19. March 10, 2008, FUNDfire article, Fla. Fund Considers Suing Broker.

ACTION: Received

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20. March 11, 2008, Financial Week, Law professor: Spitzer scandal could make things easier for insurers.

ACTION: Received

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21. March 13, 2008, Bloomberg.com article, S&P Says End in Sight for Writedowns on Subprime Debt.

ACTION: Received

C. PROPOSED AGENDA ITEMS FOR NEXT COMMITTEE MEETING

None

D. UNSCHEDULED ORAL COMMUNICATIONS

None

E. PUBLIC COMMENTS

None
