



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

MINUTES

January 26, 2010

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 8:35 AM

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

Members Absent: None

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

APPROVE MINUTES

Approve minutes of December 22, 2009, regular meeting of the Investment Committee.

ACTION: Approved/Adopted

ON MOTION BY Member Williams seconded by Member Burry to approve the minutes of December 22, 2009, Regular meeting of the Investment Committee, DULY CARRIED RESOLVED by the following vote:

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

NOES: None

ABSTAIN: None

ABSENT: Nerland

APPROVE AGENDA

Approve agenda of the January 26, 2010, regular meeting of the Investment Committee.

ACTION: Approved/Adopted

ON MOTION BY Member Williams seconded by Member Burry to approve agenda of January 26, 2010, regular meeting of the Investment Committee, 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 review of AXA Rosenberg Large Cap Equity portfolio by Lawrence Remstedt, Portfolio Manager.

ACTION: Received

The Committee received presentation by Michael Wright, Director of AXA Rosenberg and Lawrence Remstedt, Portfolio Manager. Mr. Wright opened with report that firm has experienced no early departure of staff or layoffs and have remained intact and there are no litigation issues. Mr. Remstedt provided an executive summary of core investment beliefs, change in earnings, how strategy works, valuation and growth fundamentals of Russell 1000 Index, US Large Cap Equity Composite 3 year annualized rolling returns, US aggregate reported earnings, quarterly performance, market extreme research and valuation model and near-term earnings growth, performance expectations in different market cycles, and

managing risk. Brief discussion followed.

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- 9:30 AM 1. Educational presentation on due diligence audits performed by Todd E. Crouthamel at Kreischer Miller.

ACTION: Received

The Committee received presentation by Todd Crouthamel and Tom Rosetti by teleconference, who provided a background of the firm, reported that their firm of about 175 is located outside of Philadelphia, their perspective is from a CPA firm, perform traditional audits and tax work on investment managers, some hedge funds and trusts, operational due diligence component, and performance presentation auditing. Mr. Crouthamel reviewed uncompensated business risk vs. investment risk, causes of investment mandate violations and increased risk, objectives of operational due diligence services and provided an overview of recommended process and procedures. Some discussion followed.

A. CONSENT CALENDAR

1. Approve date and time of the next meeting of the Investment Committee scheduled at 8:30 am on February 23, 2010.

ACTION: Approved/Adopted

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

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

NOES: None

ABSTAIN: None

ABSENT: None

B. AGENDA ITEMS

1. Continuing Investment Education session provided by Mr. Thomas Toth.

LAID OVER TO FEBRUARY

ACTION: Laid Over

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2. AXA Rosenberg Large Cap Equity portfolio evaluation provided by Mr. Thomas Toth for review, discussion and direction.

ACTION: Received

The Committee received a summary of evaluation and performance update of AXA US Large Cap Equity portfolio by Tom Toth, Investment Consultant. The Committee reviewed and discussed organizational concerns, sources of information, and common factor risk exposures.

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3. Review, discuss and consider U.S. Equity Structure next steps provided by Mr. Thomas Toth, Wilshire Associates.

ACTION: Received

The Committee received presentation of US Equity Structure Implementation by Thomas Toth, Investment Consultant, who reviewed two primary changes: 1) large cap rebalance from active to passive managers, and 2) Small Cap search to replace Small Growth index fund. The Committee reviewed and discussed index providers, investment manager philosophies, timeline for Small Cap Growth Manager search, screening criteria and performance.

4. Review, discuss and consider key strategic management personnel changes at Acadian Asset Management, LLC.
ACTION: Received
The Committee briefly received by Thomas Toth an update and brief background regarding corporate changes at Acadian. The Committee discussed a due diligence site visit in the near future and to consider lowering exposure.

5. Review, discuss and consider key portfolio management personnel changes at Kalmar Investments, Inc.
ACTION: Received
The Committee received an update and brief background update from Tom Toth regarding personnel changes at Kalmar Investments. The Committee took action to place Kalmar on Under Review status given the significant organizational changes and performance issues. Kalmar will meet with the Investment Committee in February to address their plan of action to correct the deficiencies.

6. Review, discuss and consider proposed amendment to limit on emerging market allocation in ACWixUS portfolio managed by Baillie Gifford.
ACTION: Received
The Committee reviewed and accepted discussion led by Thomas Toth regarding the request from Baillie Gifford for the Boards to change the policy limit for emerging market exposure in the portfolio. The Committee approved action to recommend that the Boards adopt modifications to the policy for International Equity to change the limit for ACWixUS portfolios allocation to emerging markets from a fixed limit to a flexible +/- 10% of benchmark weight for emerging market.

7. Monthly status update of Investment Manager Monitoring and Evaluation report for the period ending December 31, 2009.
ACTION: Received
The Committee received summary of monthly update for November 2009 and reviewed the summary of changes following review of risk/return manager structure, and received Investment Manager Monitoring and Evaluation summary report as of November 31, 2009.

8. Status update and review of declared deficiency in the Northern Trust Securities Lending – USA Core Cash Collateral Pool.
ACTION: Received
The Committee received status update, reports which show the historical prices from Sept 30, 2008 through January 15, 2010, and Core USA and Collateral Characteristics as of Jan 15, 2010, with recommendation to continue monitoring.

9. Status update on transition and restructuring of the Aberdeen fixed income portfolio into the Prudential Core Conservative portfolio.
ACTION: Received
The Committee received update regarding transition and restructuring of Aberdeen fixed income portfolio and discussed pending recommendations.

10. Consider staff recommendation for monthly drawback for operating and payroll costs.
ACTION: Received

The Committee considered and discussed the current cash flow projections and upon call and hearing no objections, authorized a withdrawal of \$7.1 million from the S&P 500 Equity Index fund to fund benefit payments for February 2010.

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

ACTION: Received

The Committee reviewed the list of projects, direction to Tom Toth to prepare private equity and index fund search, Kalmar presentation next month, Small Cap search, and Administrator will contact The Segal Company to discuss timeline for experience study.

C. INFORMATION ONLY ITEMS

1. Northern Trust Monthly Portfolio Performance Reports as of December 31, 2009.

ACTION: Received

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2. Northern Trust Monthly Asset Allocation Overview as of December 31, 2009.

ACTION: Received

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3. Monthly Fixed Income Analysis Report as of December 31, 2009.

ACTION: Received

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4. September 30, 2009, JPMorgan Asset Management Strategic Property Fund Annual Report 2009.

ACTION: Received

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5. October 13, 2009, K&L | Gates, Global Financial Market Watch, SEC Holds Securities Lending Roundtable.

ACTION: Received

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6. October 29, 2009, Wilshire Consulting, Wilshire Historical Investment Performance (WHIP) Score: A Quantitative Based Methodology for Summarizing a Manager's Past Returns.

ACTION: Received

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7. December 16, 2009, Loomis Sayles, Core Bond Manager William C. Stevens Joins Loomis Sayles

ACTION: Received

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8. December 29, 2009, Pyramis Global Advisors' Pyramis Select Team Year End 2009 Update.

ACTION: Received

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9. January 6, 2010, Bloomberg.com article, Commercial Property Is Biggest Risk, U.S. Bank Examiners Find.

ACTION: Received

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10. January 6, 2010, Loomis Sayles, Lynne A. Royer Joins Loomis Sayles to co-head SF Core strategy and Plansponsor.com article, Loomis Sayles Hires Core Bond Strategy Co-Head.

ACTION: Received

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11. January 8, 2010, AXA Rosenberg, AXA Rosenberg Research Note Summary of Key Projects – 2009 and 2010.

ACTION: Received

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12. January 2010, JPMorgan Asset Management, CFRS Flash Report Performance as of December 31, 2009.

ACTION: Received

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13. January 18, 2010, Ballie Gifford Update, three new Partners to be appointed May 1, 2010 and a North American team change.

ACTION: Received

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14. January 2010, Prudential Fixed Income Management, 1st Quarter 2010 Outlook.

ACTION: Received

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15. January 2010, Wellington Management, 2009 Year in Review.

ACTION: Received

D. UNSCHEDULED ORAL COMMUNICATIONS

None

E. PROPOSED AGENDA ITEMS FOR NEXT COMMITTEE MEETING

None

F. PUBLIC COMMENTS

None

G. ADJOURNMENT

11:35 am
