



CITY OF FRESNO RETIREMENT SYSTEMS
REGULAR MEETING OF THE INVESTMENT COMMITTEE

MINUTES

July 28, 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 8:33 AM

COMMITTEE MEMBERS PRESENT: Paul Cliby, Jeff Beatty, Brian Burry, Marvell French, Carla Lombardi, Ken Nerland, Oscar Williams

Members Absent: Danny Aguirre (dr appt), Dan Ray

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

APPROVE MINUTES

Approve minutes of June 24, 2009, Regular meeting of the Investment Committee.

ACTION: Approved/Adopted

ON MOTION by Member Williams seconded by Member Beatty to approve the minutes of June 24, 2009, Regular meeting of the Investment Committee, DULY CARRIED RESOLVED by the following vote:

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

NOES: None

ABSTAIN: None

ABSENT: Aguirre

APPROVE AGENDA

Approve agenda of July 28, 2009, Regular Meeting of the Investment Committee.

ACTION: Approved/Adopted

ON MOTION by Member Burry seconded by Member Lombardi to approve the agenda of July 28, 2009, Regular Meeting of the Investment Committee, DULY CARRIED RESOLVED by the following vote:

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

NOES: None

ABSTAIN: None

ABSENT: Aguirre

TIMED SCHEDULED HEARINGS AND MATTERS

8:30 AM Presentation and Prudential Enhanced Fixed Income portfolio performance review by Stuart Wong, Client Portfolio Manager and Peter Taggart, of Prudential Asset Management.

ACTION: Approved/Adopted

The Committee accepted the presentation provided by Mr. Peter Taggart, Relationship Manager and Stuart Wong, Portfolio Manager. Mr. Taggart briefly provided an organizational summation of the fixed income management structure and reviewed assets under management as of March 31, 2009. Mr. Wong provided a performance objective and market current outlook. Some discussion followed with Mr. Taggart and Mr. Wong responding. Mr. Taggart stated that Prudential was eligible for but declined TARP funding, five major businesses are strong with record year reported for 2008, and stable ratings.

9:00 AM

Conduct Annual Election for Chair and Vice Chair of the Investment Committee.

ACTION: Approved/Adopted

Upon call Chair Cliby opens nominations for Chair of the Investment Committee.

ON MOTION by Member Burry seconded by Member Williams to nominate Paul Cliby as Chair of the Investment Committee DULY CARRIED RESOLVED by the following vote:

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

NOES: None

ABSTAIN: None

ABSENT: Aguirre

Upon call Chair Cliby opens nominations for Vice Chair of the Investment Committee.

Member Burry nominates Member Aguirre as Vice Chair of the Investment Committee. By call of votes, Member Lombardi is elected as Vice Chair.

ON MOTION by Member Nerland seconded by Member Beatty to nominate Carla Lombardi as Vice Chair of the Investment Committee DULY CARRIED RESOLVED by the following vote:

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

NOES: None

ABSTAIN: None

ABSENT: Aguirre

A. AGENDA ITEMS

1. Prudential Enhanced Fixed Income portfolio evaluation provided by Mr. Michael Schlachter for review, discussion and direction.

ACTION: Received

The Committee reviewed and accepted the report and evaluation of Prudential provided by Mr. Michael Schlachter.

2. Review, discussion and direction concerning Annual Performance Evaluation of Investment Consulting Firm, Wilshire Associates, in accordance with Agreement dated May 1, 2003.

ACTION: Approved/Adopted

The Committee reviewed and discussed the collective performance evaluations and ratings received for the Boards' Investment Consultant, extensive discussion followed with Mr. Schlachter responding. A request for proposal for the Systems' Investment Consultant is thoroughly discussed, along with the replacement of Mr. Michael Schlachter with Mr. Tom Toth of Wilshire Associates as the Systems' Investment Consultant is reviewed and considered by the Committee. A direction is made by Chair Cliby to take RFP issue to the Board.

ON MOTION by Member Lombardi seconded by Member Nerland to conduct a Request for Proposal for the Systems' Investment Consultant, DULY CARRIED RESOLVED by the following vote:

AYES: Lombardi, Beatty, French, Nerland

NOES: Burry, Cliby, Williams

ABSTAIN: None

ABSENT: Aguirre

ON MOTION by Member Williams seconded by Member Lombardi, to make Mr. Tom Toth our Primary Investment Consultant, DULY CARRIED RESOLVED by the following vote:

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

NOES: None

ABSTAIN: None

ABSENT: Aguirre

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3. Review, discuss and consider information on the Wilshire due diligence review process, further evaluate and determine appropriate levels of Due Diligence.

ACTION: To Staff for More Info

The Committee discussed and considered the two tier process and how products are chosen for clients through the use of standardized "off the shelf" RFP information provided to the clients that trust the Wilshire process and issues pertaining to the level of due diligence provided by the Investment Consultant. The Committee directed staff to schedule an educational presentation with Krieschner Miller to learn the additional level of due diligence that they perform on behalf of other public pension systems.

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4. Review, discuss and direction concerning notification of illiquidity from Loomis Sayles High Yield Portfolio.

ACTION: To Staff for More Info

The Committee reviewed and discussed the issue of liquidity and accepted the recommendation of the investment manager to hold the illiquid security.

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5. Preliminary review, discussion and direction on Investment Manager Monitoring and Evaluation report as of June 30, 2009.

ACTION: Laid Over

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

ACTION: Laid Over

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7. Review and approve rebalancing of the portfolio and drawback for August 2009 expenses.

ACTION: Approved/Adopted

The Committee reviewed and discussed staffs recommendation for withdrawal of \$21 million from Dodge & Cox to rebalance the portfolio closer to its target allocation and to meet the Systems' funding needs for payroll and operating expenses for August through October 2009.

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8. Review, discussion and direction on new Investment for the Disclosure of Placement Agent Fees

ACTION: Laid Over

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9. Review, discussion and direction regarding request from Dan Ray, Independent Advisory Member, to attend the Schwab Impact Conference in September.

ACTION: Approved/Adopted

ON MOTION by Member Burry seconded by Member Beatty to recommend approval of request by Dan Ray, Independent Advisory Member, to attend the Schwab Impact Conference, DULY CARRIED RESOLVED by the following vote:

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

NOES: None

ABSTAIN: None

ABSENT: Aguirre

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

ACTION: Laid Over

B. INFORMATION ONLY ITEMS

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

ACTION: Received

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

ACTION: Received

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

ACTION: Received

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4. June 30, 2009, Securities Litigation & Regulation Andrews Litigation Reporter, Credit Rating Agencies: Out of Control and in Need of Reform.

ACTION: Received

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5. July 2009, 3rd Quarter 2009 Outlook, Prudential Fixed Income Management

ACTION: Received

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6. July 7, 2009, Wilshire Consulting, The Use of Leverage in Investment Portfolios.

ACTION: Received

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7. July 8, 2009, P&I Online, Treasury Taps 9 for PPIP.

ACTION: Received

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8. July 8, 2009, Bloomberg.com, BlackRock Said to Get PPIP Selection with Invesco, Wellington.

ACTION: Received

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9. July 8, 2009, Bloomberg.com, Google to Challenge Microsoft with Computer Operating System.

ACTION: Received

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10. July 9, 2009, Bloomberg.com, Goldman Sachs Loses Grip on Its Domsday Machine: Jonathan Weil.

ACTION: Received

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11. July 15, 2009, FUNDfire.com, CalPERS Sues Rating Agencies Over Losses.

ACTION: Received

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12. July 20, 2009, Wilshire Consulting, 2009 Mid-Year Asset Class Assumptions Update.

ACTION: Received

13. July 21, 2009, FUNDfire.com, CalPERS Expected to Post Massive \$56.8B Loss.
ACTION: Received

14. July 22, 2009, FUNDfire.com, BlackRock Upbeat Despite Looming Integration.
ACTION: Received

15. July 22, 2009, FUNDfire.com, Small Manager Could Feel Pain from Agent Ban.
ACTION: Received

16. July 22, 2009, P&I Online, SEC proposes pay-to-play contribution restriction.
ACTION: Received

C. UNSCHEDULED ORAL COMMUNICATIONS

None

D. PROPOSED AGENDA ITEMS FOR NEXT COMMITTEE MEETING

None

E. PUBLIC COMMENTS

None

F. ADJOURNMENT

11:55 pm
