



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

MINUTES

August 23, 2016

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 1:00 PM

Members Present for the EMPLOYEES RETIREMENT BOARD

Phillip Hardcastle, David Cain, Renena Smith

Members Absent: TJ Miller, Marvell French

Members present for the FIRE AND POLICE RETIREMENT BOARD

Oscar Williams, David Newton, Jonathan Lusk, Theodore Semonious

Members absent: Michael Reid

Also Present: Carolyn Smith, NEPC, Robert Theller, Retirement Administrator, Kathleen Riley Brown, Assistant Retirement Administrator, Pattie Laygo, Executive Assistant

APPROVE MINUTES

Approve minutes of August 10, 2016, Regular Joint Meeting of the Retirement Boards and Emergency Joint Meeting of the Retirement Boards.

ACTION: Approved/Adopted

ON MOTION by Member Smith seconded by Member Cain to approve the minutes of August 10, 2016, Regular Joint Meeting of the Retirement Boards, DULY CARRIED by the following vote:

AYES: Hardcastle, Cain, Smith

NOES: None

ABSTAIN: None

ABSENT: Miller, French

ON MOTION by Member Newton seconded by Member Semonious to approve the minutes of August 10, 2016, Regular Joint Meeting of the Retirement Boards, DULY CARRIED by the following vote:

AYES: Williams, Newton, Lusk, Semonious

NOES: None

ABSTAIN: None

ABSENT: Reid

APPROVE AGENDA

Approve agenda of August 23, 2016, Regular Joint Meeting of the Retirement Boards.

ACTION: Approved/Adopted

ON MOTION by Member Cain seconded by Member Smith to approve the agenda of August 23, 2016, Regular Joint Meeting of the Retirement Boards, DULY CARRIED RESOLVED by the following vote:

AYES: Hardcastle, Cain, Smith

NOES: None

ABSTAIN: None

ABSENT: Miller, French

TIMED SCHEDULED HEARINGS AND MATTERS

1. 1:00 pm Northern Trust presentation and review of Custodial Services, Securities Lending and Brokerage Recapture Programs provided by Robert Ernst and Don Anderson of Northern Trust.

ACTION: Received

The Boards received presentation by Robert Ernst, Senior Vice President of Northern Trust who provided updates of their custodial and client services, practices, standards, and platform followed by a Securities Lending presentation provided by Don Anderson, Senior Vice President of Global Securities Lending who reviewed the processes, components, managing risk, and recent observations and trends.

2. 2:00 pm Loomis Sayles High Yield presentation and portfolio review provided by Stephanie Lord, CFA, Vice President, Client Portfolio Manager Loomis Sayles & Company.

ACTION: Received

The Boards received presentation by Stephanie Lord, Vice President, Client Portfolio Manager with Loomis Sayles who provided an organizational update and reviewed performance.

3. 3:00 pm Vince Varghese and Josh Rotbart, Managing Director of Malca-Amit Precious Metals Ltd. Hong Kong – International Trade and Development educational presentation on a safe, stable strategy to buy, hold and sell gold.

ACTION: Received

The Boards received presentation by Vincent Varghese and Joshua Rotbart.

Sandra Brock spoke regarding the prevalence of holding precious metals by major insurance companies, typical commission of sale price, and taxes.

A. CONSENT CALENDAR

1. Approve date and time of the next Regular Joint Meeting of the Retirement Boards scheduled at 1:00 pm on Wednesday, September 14, 2016.

ACTION: Approved/Adopted

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

AYES: Hardcastle, Cain, Smith

NOES: None

ABSTAIN: None

ABSENT: Miller, French

ON MOTION by Member Semomious seconded by Member Newton to approve the consent calendar DULY CARRIED RESOLVED by the following vote:

AYES: Williams, Newton, Lusk, Semonious

NOES: None

ABSTAIN: None

ABSENT: Reid

B. EMPLOYEE PERSONNEL ISSUES

None

C. STAFF INITIATED ITEMS

None

D. BOARD INITIATED ITEMS

1. Review, discuss and consider modifications to the Boards' Investment Objectives and Policy Statement for high yield fixed income proposed by Loomis Sayles.
ACTION: Tabled
The Boards reviewed and discussed Loomis Sayles High Yield Bond Portfolio and proposed modifications to High Yield policy and amendment to the Boards Investment Management Agreement with Loomis Sayles. Upon review and discussion, issue is tabled until next meeting.

2. Loomis Sayles High Yield fixed income portfolio evaluation provided by Mr. Don Stracke.
ACTION: Received
A summary of staff report and recommendation is presented by Carolyn Smith of NEPC.

3. US Fixed Income Asset Class Review and recommendation provided by Don Stracke of NEPC.
ACTION: Received
The Boards received fixed income overview and presentation by Carolyn Smith of NEPC, who reviewed credit environment and summarized recommendations.

4. Review, discuss and consider a transition and timing proposal for large cap core equity active to passive management.
ACTION: Approved/Adopted
The Boards received background of large cap equity rebalance and approved recommendation that the Boards consider the addition of the NTAM Russell 100 Index Fund and appoint Northern Turst transition Manager for the liquidation and restructure of the JPMorgan Large Cap Core Equity portfolio into the NTAM Russell 100 Index Fund at the end of August 2016.
ON MOTION by Member Cain seconded by Member Smith to approve adding a NTAM Russell 1000 Index Fund and appoint Northern Trust transition manager for the liquidation and transition of the JPMorgan Large Cap Core Equity portfolio, DULY CARRIED by the following vote:
AYES: Hardcastle, Cain, Smith

NOES: None

ABSTAIN: None

ABSENT: Miller, French

ON MOTION by Member Semonious seconded by Member Newton to approve adding a NTAM Russell 1000 Index Fund and appoint Northern Trust transition manager for the liquidation and transition of the JPMorgan Large Cap Core Equity portfolio, DULY CARRIED by the following vote:

AYES: Williams, Newton, Semonious

NOES: None

ABSTAIN: Lusk

ABSENT: Reid

5. Review, discuss and accept the Quarterly Investment Performance Report from NEPC for the period ending June 30, 2016 and Manager Review – Watch Status Update.

ACTION: Received

The Boards reviewed and accepted the Quarterly Investment Performance report presented by Carolyn Smith of NEPC, and considered performance and structure review of Eagle.

6. Review actual Asset Allocation as of July 31, 2016, update on August 2016 drawback and direction on funding of Operating and Payroll Expenses for September 2016.

ACTION: Approved/Adopted

The Boards received summary of staff's recommendation provided by Kathleen Riley, Assistant Retirement Administrator.

ON MOTION by Member Smith seconded by Member Cain to authorize a drawback from BlackRock S&P 500 Equity or Russell 1000 Index funds up to \$6.8 million to fund benefit and operating expenses for September 2016, DULY CARRIED by the following vote:

AYES: Hardcastle, Cain, Smith

NOES: None

ABSTAIN: None

ABSENT: Miller, French

ON MOTION by Member Lusk seconded by Member Semonious to authorize a drawback from BlackRock S&P 500 Equity or Russell 1000 Index funds up to \$6.8 million to fund benefit and operating expenses for September 2016, DULY CARRIED by the following vote:

AYES: Williams, Newton, Lusk, Semonious

NOES: None

ABSTAIN: None

ABSENT: Reid

7. Review and accept reports for Administrative Oversight and Consider Modification to the Joint Retirement Boards' Administrative Oversight Policy Section 2-3.

ACTION: Approved/Adopted

The Boards received summary and background of staff's recommendation provided by Kathleen Riley, Assistant Retirement Administrator.

ON MOTION by Member Cain seconded by Member Smith to approve the modifications to the Boards' Administrative Oversight Policy Section 2-3, DULY CARRIED by the following vote:

AYES: Hardcastle, Cain, Smith

NOES: None

ABSTAIN: None

ABSENT: Miller, French

ON MOTION by Member Semonious seconded by Member Newton to approve the modifications to the Boards' Administrative Oversight Policy Section 2-3, DULY CARRIED by the following vote:

AYES: Williams, Newton, Lusk, Semonious

NOES: None

ABSTAIN: None

ABSENT: Reid

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8. Review and discuss Joint Board Policy Section 2-1 Continuing Education and Due Diligence Visitations Policy Statement.

ACTION: Received

Member Smith requested discussion of Boards' Travel Policy to provide education, review due diligence, the number of conferences allowed, new trustee training and to potentially update Policy at the next Board meeting. Upon extensive discussion, the Boards appointed Members Oscar Williams and Phillip Hardcastle to receive updates and suggestions by the Board Members for the Boards to consider at the next meeting. Due Diligence education will be conducted at Board retreat.

Sandra Brock spoke to this issue.

E. GENERAL DISCUSSION

None

F. INFORMATION ONLY ITEMS

1. Northern Trust Monthly Portfolio Performance Reports as of July 31, 2016.

ACTION: Received

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2. Northern Trust Monthly Asset Allocation Overview July 31, 2016.

ACTION: Received

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3. Monthly Fixed Income Analysis Report July 31, 2016.

ACTION: Received

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4. Investment Manager Monitoring and Evaluation Report July 31, 2016.

ACTION: Received

G. PROPOSED AGENDA ITEMS FOR NEXT BOARD MEETING

1. Baillie Gifford presentation/portfolio review and discussion on effects of Brexit.

2. Real Asset Education provided by Don Stracke of NEPC.

3. Member Lusk - Discussion regarding buying Gold. (Meeting with Investment Consultant present.)

4. Member Newton - Update and continued discussion regarding allowing members to buy back when involves QDRO. (Meeting with Legal Counsel present.)

H. UNSCHEDULED ORAL COMMUNICATIONS

1. Administrator Theller provided update regarding legal review of PCCP contract documents.

I. PUBLIC COMMENTS

1. Sandra Brock spoke to request update of suggested methods for notifying retirees.

J. ADJOURNMENT

5:14 pm

Employees Retirement Board

Fire and Police Retirement Board