



County of Fresno

BOARD OF SUPERVISORS

Chairman
Sal Quintero
District Three

Vice-Chairman
Andreas Borgeas
District Two

Brian Pacheco
District One

Buddy Mendes
District Four

Nathan Magsig
District Five

Bernice E. Seidel
Clerk

April 17, 2018

Fresno County Employees' Retirement Association Board Members
7772 N. Palm Ave.
Fresno, CA 93711

Dear Members of the Retirement Board:

The Fresno County Board of Supervisors (BOS) would like to take this opportunity to share its position on the FCERA investment strategy:

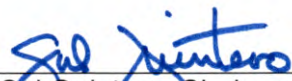
- 1) The BOS would like to see investments and risks more in line with other 1937 Act county pension systems. The overall investment goal should be for the fund to generate a rate of return that is as close to the 25 percentile of all pension plans in the United States over a 5 to 10 year horizon. The current investment strategy has a goal to limit the drawdowns to the plan sponsor to a minimum. The current rate of return at the low end of the pension universe is achieving the opposite goal. It is risky to be an outlier.
- 2) Investments in Equities should increase. Historically equities have provided the greatest return on investment over the life of pension plans.
- 3) The actuary assumes a 7% rate of return yet the FCERA board's current investment strategy reflects an assumed rate of return much lower. The investment strategy assumed rate of return and discount rate need to be more closely aligned.

It is our understanding that the consultant overseeing the investment managers performance and developing the fund's investments allocation has been under contract for over 15 years. In addition, it is also our understanding that the Fund's actuary has been under contract for close to 10 years. The Government Finance Officers Association (GFOA) recommends that governments review their financial services contracts every five years and use a competitive process for the procurement of financial services. A competitive procurement process can provide an opportunity for the government to obtain market competitive rates and negotiate preferable terms and conditions and/or service enhancements along with a possible new perspective that a new vendor may provide. The County of Fresno complies with this recommendation by performing Request for Proposals (RFPs) every five years. New contracts for services typically are for 3 years with two 1-year extensions with the understanding that an RFP will be issued at the end of the 5-year period.

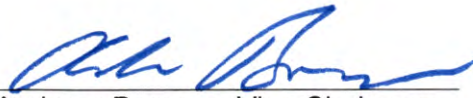
Thank you for your consideration.

Sincerely,

Fresno County Board of Supervisors



Sal Quintero, Chairman
District Three



Andreas Borgeas, Vice-Chairman
District Two



Brian Pacheco, Supervisor
District One



Ernest Buddy Mendes, Supervisor
District Four



Nathan Magsig, Supervisor
District Five