

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

Committee for Investments Summary

TUESDAY

SAN JOSÉ, CALIFORNIA

JULY 21, 2009

Present:

**Jeff Perkins
Matt Loesch
David Busse**

ALSO PRESENT:

Russell Crosby	-Secretary/Director	Scott Smith	-Hanson Bridgett
Carmen Racy-Choy	-Staff	(via telephone)	
Ali Amiry	-Staff		
Ron Kumar	-Staff		
Ceara O'Fallon	-Staff		
Cristin James	-Staff		

RECOMMENDATIONS

NONE

MEETING SUMMARY

1. Discussion and direction regarding potential Investment Consultant contract provisions with Scott Smith, Hanson Bridgett.

Mr. Smith stated that a sample contract was sent to Watson Wyatt for their review. Watson Wyatt will not assume full fiduciary liability for the portfolio.

The Secretary stated that Watson Wyatt does not accept the provision providing for a trial by jury in event of a problem. Instead, Watson Wyatt insists upon binding arbitration. Additionally, Watson Wyatt proposes limiting total liability to \$250,000, a figure less than one year's fees.

Mr. Smith explained that there might be a compromise, but to loosen any provisions in the contract would place the Trustees and the Trust at a disadvantage.

The Secretary noted that NEPC has accepted fiduciary liability for the portfolio and the trial by jury provision. NEPC has contractually limited its liability to \$5 million. The Trustees and staff are scheduled for a due diligence visit to NEPC's Boston Office on July 29, 2009.

Chair Perkins stated that it makes sense to perform the due diligence on NEPC, but given Watson Wyatt's unwillingness to accept these contract provisions, it does not seem prudent to visit Watson Wyatt. However, it would be beneficial to have a second consultant to review for comparison purposes.

The Secretary explained that it would be valuable to have a candidate to compare with NEPC. Wurts and Meketa both have good reputations. They are smaller growing firms. Ennis Knupp is a larger firm, but has a higher number of accounts per consultant, which would limit the amount of time spent on the System's account.

Ms. Racy-Choy stated that one of the important functions of an investment consultant is their ability to develop the asset allocation for the System and they need to have the staff, especially analysts with an actuarial background, to do the work. Both Watson Wyatt and NEPC have an actuary on staff.

The Secretary suggested that Trustees and staff visit Meketa in Massachusetts. Meketa is a smaller organization than NEPC, but has periodically taken business from NEPC. Meketa is strong in the areas of private equity and investment structure, but does not have analysts with an actuarial background.

Chair Perkins stated that it would be beneficial to add Meketa to the itinerary for the upcoming due diligence trip.

Approved:



RUSSELL U. CROSBY, RETIREMENT DIRECTOR
BOARD OF ADMINISTRATION