

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY & BUSINESS MEETING

DECEMBER 14, 2020

AGENDA

PLACE: In Accordance with the Governor's Executive Order N-29-20 (3), the Members of the Board will be participating via teleconference. Pursuant to Government Code §54954.3, members of the public, to the extent required by law, will have the opportunity to directly address the Board concerning the below mentioned business.

TIME: 9:00 a.m.

The public may listen to the Public Session and offer comments by calling: 213-338-8477, using Meeting ID: 944-0046-0248. Persons may also submit written comments to publiccomment@vcera.org prior to and during the Board meeting. Please include your name, agenda item, the last 4 numbers of the telephone number that will be used to call in, and your comment. Public comment emails will be read into the record or summarized if lengthy.

ITEM:

- | | | |
|------|--|-----------------|
| I. | <u>CALL TO ORDER</u> | Master Page No. |
| II. | <u>APPROVAL OF AGENDA</u> | 1 – 4 |
| III. | <u>APPROVAL OF MINUTES</u> | |
| | A. Disability Minutes of October 12, 2020. | 5 – 31 |
| | B. Disability Minutes of October 12, 2020 (Redline). | 32 – 66 |
| | C. Business Minutes of November 23, 2020. | 67 – 80 |
| IV. | <u>CONSENT AGENDA</u> | |
| | A. Approve Regular and Deferred Retirements and Survivors Continuances for the Month of November 2020. | 81 |
| | B. Receive and File Report of Checks Disbursed in November 2020. | 82 – 84 |
| | C. Receive and File Budget Summary Admin. – Disability for FY 2020-21 Month Ending November 30, 2020. | 85 |
| | D. Receive and File Budget Summary Combined for FY 2020-21 Month Ending November 30, 2020. | 86 – 87 |
| V. | <u>RECEIVE AND FILE PENDING DISABILITY APPLICATION STATUS REPORT</u> | 88 – 125 |

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VI. APPLICATIONS FOR DISABILITY RETIREMENT

- A. Application for Service-connected Disability Retirement—Mendoza, Alberto A.; Case No. 16-018.
1. Proposed Findings of Fact and Recommended Decision to Deny the Application for Service-connected Disability, filed by Hearing Officer Humberto Flores, dated October 22, 2020. 126 – 159
 2. Applicant's Objections to the Hearing Officer's Proposed Findings of Fact and Recommended Decision, filed by Steven R. Rosales, Attorney for Applicant, dated November 6, 2020. 160 – 171
 3. Response to Applicant's Objections to the Hearing Officer's Proposed Findings of Fact and Recommended Decision, filed by Stephen D. Roberson, Attorney for Respondent, dated November 17, 2020. 172 – 180
 4. Hearing Notice, dated November 20, 2020. 181 – 182

VII. INVESTMENT MANAGER PRESENTATIONS

- A. Receive Annual Investment Presentation from Loomis Sayles, Stephanie S. Lord. 183 – 215

VIII. INVESTMENT INFORMATION

NEPC – Allan Martin.

VCERA – Dan Gallagher, Chief Investment Officer.

- A. \$25 Million Investment in Torchlight Debt Opportunity Fund VII.
RECOMMENDED ACTION: Approve.
1. Staff Letter by C.I.O., Dan Gallagher. 216 – 217
 2. Recommendation Memorandum from NEPC. 218 – 238
 3. Torchlight Debt Opportunity Fund VII Presentation Material. 239 – 263
- B. \$25 Million Investment in Crayhill Principal Strategies Fund II.
RECOMMENDED ACTION: Approve.
1. Staff Letter by C.I.O., Dan Gallagher. 264 – 265
 2. Recommendation Memorandum from NEPC. 266 – 278
 3. Crayhill Principal Strategies Fund II Presentation Material. 279 – 288
- C. Request for Board Approval of Tortoise Investment Management Temporary Fee Reduction.
RECOMMENDED ACTION: Approve.
1. Staff Letter by Chief Investment Officer, Dan Gallagher. 289 – 291
 2. Proposed Temporary Fee Letter from Tortoise. 292

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VIII. INVESTMENT INFORMATION (continued)

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| 3. | Amendment to the Investment Management Agreement with Tortoise. | 293 – 294 |
| D. | Request Approval for Subscription to Capital Economics' U.S. Economics and Capital Daily.
RECOMMENDED ACTION: Approve. | |
| 1. | Staff Letter by Chief Investment Officer, Dan Gallagher. | 295 – 296 |
| E. | Preliminary Performance Report Month Ending November 30, 2020.
RECOMMENDED ACTION: Receive and file. | 297 – 314 |

IX. OLD BUSINESS

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| A. | Presentation from Segal Consulting Regarding Adjusted Amortization Schedule for Tail Volatility Periods, and Proposal for Incorporation in Pending Annual Actuarial Valuation Report as of June 30, 2020 – Segal Consulting, Paul Angelo
RECOMMENDED ACTION: Approve. | |
| 1. | Staff Letter. | 315 – 316 |
| 2. | Presentation Material from Segal Consulting. | 317 – 325 |
| B. | Summary of Staff Meeting with County of Ventura to Provide Input on Pending County-Sponsored Legislation in Regard to Flexible Benefit Credit. | |
| 1. | Staff Letter. | 326 – 328 |

X. CLOSED SESSION

- | | | |
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| A. | CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION (Government Code section 54956.9(a)) Name of Case: Ventura County Employees' Retirement Association v. County of Ventura, et. al, Case No.: 56-2020-00546574-CU-MC-VTA. | |
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XI. NEW BUSINESS

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|----|---|-----------|
| A. | Request for Approval of Amendment to Contract with Brentwood I.T. to Extend Contract Term.
RECOMMENDED ACTION: Approve. | |
| 1. | Staff Letter by, Chief Technology Officer, Leah Oliver. | 329 |
| 2. | Amended Contract for Brentwood I.T. | 330 – 332 |
| 3. | Amended Contract for Brentwood I.T. (Redline). | 333 – 337 |
| B. | Recommendation to Approve 2021 Rates for Nossaman LLP with Adjustment to Discount Fees for Certain Litigation.
RECOMMENDED ACTION: Approve. | |
| 1. | Staff Letter. | 338 |

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XI. NEW BUSINESS (continued)

- 2. Letter from Nossaman LLP for 2021 Billing Rate Increases. 339 – 340
- C. Request for Authorization for VCERA C.T.O. to Pursue a Position on the Public Retirement Information Systems Management (PRISM) Board.
RECOMMENDED ACTION: Approve.
 - 1. Staff Letter. 341
 - 2. Memorandum from Chief Technology Officer, Leah Oliver. 342 – 343
- D. Recommendation for Establishment of VCERA Board of Retirement Finance-Subcommittee.
 - 1. Staff Letter. 344
- E. Determination of Trustee Towner's "Active" Status and Resumption of Board Position as Alternate Seventh (Safety) Member as of October 22, 2020.
 - 1. Staff Letter. 345 – 346
 - 2. Letter of Objection from Acting County Counsel, Michael Walker. 347 – 348
 - 3. Confidential Attorney-Client Privileged Memorandum from General Counsel, Lori Nemiroff. 349 – 356
- F. Annual Appointment of Chair and Vice-Chair.
 - 1. Staff Letter. 357

XII. INFORMATIONAL

- A. SACRS Legislative Update – December 2020. 358 – 359
- B. CALAPRS Virtual 2021 General Assembly Announcement. 360 – 361
- C. Press Release - LaSalle Announces CEO Succession and New Leadership Roles. 362 – 363
- D. ILPA Virtual Institute: Private Equity for the Trustee.
 - 1. Staff Letter by Chief Investment Officer, Dan Gallagher. 364
 - 2. ILPA Virtual Institute – Course Description and Fees. 365 – 370

XIII. PUBLIC COMMENT

XIV. STAFF COMMENT

XV. BOARD MEMBER COMMENT

XVI. ADJOURNMENT

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

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MINUTES

TRUSTEES
PRESENT:

Arthur E. Goulet, Chair, Retiree Member
Mike Sedell, Vice Chair, Public Member
Steven Hintz, Treasurer-Tax Collector
Steve Bennett, Public Member
Robert Ashby, Safety Employee Member
Jordan Roberts, General Employee Member
Cecilia Hernandez-Garcia, General Employee Member
Will Hoag, Alternate Retiree Member

TRUSTEES
ABSENT:

STAFF
PRESENT:

Linda Webb, Retirement Administrator
Henry Solis, Chief Financial Officer
Julie Stallings, Chief Operations Officer
Dan Gallagher, Chief Investment Officer
Lori Nemiroff, General Counsel
Leah Oliver, Chief Technology Officer
Shalini Nunna, Retirement Benefits Manager
Josiah Vencel, Retirement Benefits Manager
Rebekah Villalobos, Retirement Benefits Manager
Jess Angeles, Communications Officer
Chris Ayala, Program Assistant

PLACE:

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TIME:

9:00 a.m.

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PAGE 2****ITEM:****I. CALL TO ORDER**

Chair Goulet called the Disability Meeting of October 12, 2020, to order at 9:01 a.m.

II. APPROVAL OF AGENDA

Trustee Bennett moved that item "VI.A. Closed Session" follow item "VII.A. Staff Recommendation to Adopt Resolution to Implement Changes to Compensation Earnable Resolution in Compliance with the California Supreme Court Decision, *Alameda County Sheriff's Assoc. et al., v. Alameda County Employees' Retirement Assn., et al* (2020) 9 Cal.5th 1032 (*"Alameda"*). He said the discussion during the Closed Session could influence the vote, and it could appear as though the Board decided how to proceed on the proposed Resolution before the Open Session vote. Chair Goulet offered an alternate motion to first hear Public Comment and then go into Closed Session before returning to Open Session to vote on the Resolution.

Trustee Sedell said that going into Closed Session before voting on the Resolution would allow the Board to discuss potential litigation and possibly negate it. Also, he had questions that might be inappropriate for Open Session, as they involved possible litigation.

Trustee Bennett related a phone call he had received the previous Friday from Chair Goulet and General Counsel Nemiroff, suggesting he recuse himself from the Closed Session. On Sunday, he received a subsequent memorandum, explaining the justifications for his recusal. He concluded that another trustee reading that memorandum might conclude he should recuse. He asked the other trustees to keep an open mind and to note that though he was not the only trustee who worked for the County, he was the only one who had been asked to recuse. He said the Board was not going into Closed Session to discuss the initiation of litigation, but rather the exposure to it, and there was a risk the Board would be unable to walk the fine line to limit the discussion only to exposure to litigation. He believed it better to reverse the order of items as he had suggested. Though County Counsel Leroy Smith had written a few memorandums disagreeing with Ms. Dunning's interpretation of *Alameda*, it was not in preparation for a lawsuit, though VCERA had cited anticipated litigation by the County as the basis for a Closed Session and the reason for his recusal, both previously and today.

Chair Goulet said that, unlike the general and safety members serving on the Board, Trustee Bennett was not simply an employee, but a member of the governing Board of the County. He reminded Trustee Bennett of his previous acknowledgment of a potential conflict of interest. Trustee Bennett responded that a perception of a conflict of interest existed for everyone who was on the County payroll, whether in an officer's position or otherwise. He took offense to remarks made during the earlier referenced phone call, saying they appeared to use the threat of litigation to eliminate the one trustee who could say some things that some individuals did not want said, either in Closed or Open Session. Ms. Nemiroff said that no trustee would be forced out of the Closed Session, which was explained in the memo. The request that Supervisor Bennett consider recusal was a result of his position on the governing board of an entity with which VCERA may end up in litigation. The exposure of litigation came not only from the County of Ventura, but also labor unions and individual employees. An exposure to litigation discussion may include the topic of a potential cross-complaint, which could be against the County. Therefore, in Supervisor Bennett's case, it would be inappropriate for him to be sitting on both Boards, and thus two sides of an issue, when litigation was discussed. Also, because of the issues of discussion in the Closed Session, the conflict had been triggered, which again was explained in the confidential memorandum.

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Trustee Hintz said it was not up to the Board of Retirement to determine whether or not Trustee Bennett should be disqualified from the Closed Session. If the argument for Trustee Bennett's recusal was that he was an officer of the County, the argument could apply with equal force to himself. Ms. Nemiroff said that Trustee Bennett's position on the governing board of the County made it more of an institutional conflict of interest than a personal financial one, which was explained in the confidential memorandum.

Trustee Hintz asked for clarification on the reason being used to force Trustee Bennett and himself out of participating in hearing that item. Trustee Sedell said it was ultimately Supervisor Bennett's decision to participate in Closed Session or not. Chair Goulet said he had consistently stated that his basis for suggesting Trustee Bennett's recusal was by virtue of his position as an officer of the County, not in regard to a financial interest. Further, as Trustee Sedell stated, the Board could not prevent Trustee Bennett from participating in the Closed Session because it was his decision to make. He cautioned Trustee Bennett that there were potential problems associated with participating.

After discussion by the Board, the following motion was made:

MOTION: Move Item "VI.A "Closed Session" After Item "VII.A."

Moved by Bennett seconded by Hernandez-Garcia

Vote: Motion carried

Yes: Ashby, Bennett, Hernandez-Garcia, Hintz, Roberts, Sedell

No: Goulet

Absent: -

Abstain: -

MOTION: Approve Agenda as Amended.

Moved by Hintz seconded by Sedell

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hernandez-Garcia, Hintz, Roberts, Sedell

No: -

Absent: -

Abstain: -

III. APPROVAL OF MINUTES

A. Disability Meeting of September 14, 2020.

B. Business Meeting of September 28, 2020.

Ms. Webb said the proposed corrections to the minutes of September 14th were provided in a redline. In the September 28th minutes, the phrase "from the policy" was added for clarification to Mr. Gallagher's statement on Master Page 22.

Chair Goulet asked whether, because the September 14th minutes were so long, if the public had any comments.

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Hearing no public comment, the following motion was made:

MOTION: Approve the Minutes of September 14 and September 28 as Corrected.

Moved by Bennett seconded by Roberts

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hernandez-Garcia, Hintz, Roberts, Sedell

No: -

Absent: -

Abstain: -

IV. RECEIVE AND FILE PENDING DISABILITY APPLICATION STATUS REPORT

After discussion by the Board, the following motion was made:

MOTION: Receive and File.

Moved by Sedell seconded by Ashby

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hernandez-Garcia, Hintz, Roberts, Sedell

No: -

Absent: -

Abstain: -

V. APPLICATIONS FOR DISABILITY RETIREMENT

A. Application for Service-connected Disability Retirement—Marquez, Georgia E.; Case No. 19-030.

1. Employer's Statement of Position, submitted by County of Ventura-Risk Management, in support of the Application for Service-connected Disability Retirement, dated September 3, 2020.
2. Supporting Documentation for Employer's Statement of Position.
3. Application for Service-connected Disability Retirement, filed by Applicant, dated October 8, 2019.
4. Hearing Notice, dated October 5, 2020.

Catherine Laveau was present on behalf of County of Ventura-Risk Management. Josiah Vencel and Nancy Jensen were present on behalf of VCERA. The applicant, Georgia E. Marquez, was also present.

Ms. Laveau and Ms. Marquez made brief statements.

Trustee Hernandez-Garcia asked the reasons given by the applicant for declining the job offers to accommodate her restrictions. Ms. Laveau responded that the applicant was offered a formal reassignment position in the Medical Office Assistant classification. It was explained to her how the

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disability reassignment process worked; she was given the opportunity to explore the position without accepting the disability reassignment, but ultimately the applicant declined the offered position.

After discussion by the Board, the following motion was made:

MOTION: Approve the Service-connected Disability Retirement for Georgia E. Marquez.

Moved by Sedell seconded by Bennett

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hintz, Roberts, Sedell

No: -

Absent: -

Abstain: Hernandez-Garcia

VI. CLOSED SESSION**A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION**

Significant Exposure to Litigation Pursuant to Paragraph (2) of Subdivision (d) of Section 54956.9: One (1) Case.

VII. OLD BUSINESS

- A. Staff Recommendation to Adopt Resolution to Implement Changes to Compensation Earnable Resolution in Compliance with the California Supreme Court Decision, *Alameda County Sheriff's Assoc. et al., v. Alameda County Employees' Retirement Assn., et al* (2020) 9 Cal.5th 1032 ("*Alameda*").

RECOMMENDED ACTION: Approve.

1. Staff Letter.
2. Resolution of The Board of Retirement of Ventura County Employees' Retirement Association Regarding *Alameda* Implementation to Compensation Earnable and Pensionable Compensation.
3. Resolution of The Board of Retirement of Ventura County Employees' Retirement Association Regarding *Alameda* Implementation to Compensation Earnable and Pensionable Compensation (Redline).
4. VCERA Fiduciary Counsel's Response to County and Labor Union Objections to Proposed *Alameda* Implementation.
5. Identified Employer Pay Codes Impacted by *Alameda* Decision.

Chair Goulet requested the Board hear public comment on the item before staff's presentation, allowing each speaker up to 15 minutes. Because the County and union attorneys' letters were included in the official record, he asked that speakers limit their comments to information not already received by the Board.

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David Mastagni, Attorney at Law, commented on behalf of the Ventura County Deputy Sheriffs' Association (VCDSA) and the Ventura County Professional Firefighters' Association (VCPFA). He expressed appreciation for the previous week's discussion, and while he appreciated some of the modifications to the Resolution, the changes did not fully address their concerns. He noted the modified Resolution recognized the lawsuit the Deputy Sheriffs' Association had filed in federal court, challenging the County-mandated opt-out fee as an illegal kickback. In regard to flex credit, their view was that it should be treated as a cash payment, pointing to how flex credit was represented on employees' paychecks. With respect to the standby pay, it was not their position that all standby pay should continue to be included; they recognized that ad-hoc standby payments were properly excluded under PEPRA. However, there were classifications within the Deputy Sheriffs' Association and the Firefighters' Association where working standby was a regular and recurring part of their weekly assignment. He also appreciated that the Board was going to allow employees to challenge the exclusion. He asked that the Board not adopt uniform exclusion of all standby pays, but rather to make a careful analysis of the specific job classifications.

Chair Goulet asked if Mr. Mastagni had reviewed the Identified Employer Pay Code List that staff had provided to the Board. Mr. Mastagni replied that he had not, but this was a reminder of his previous request to delay implementation of the changes to compensation earnable in order to get some clarification on the pay codes in question and on the status of the federal lawsuit. He would like to confer with his clients before the implementation of the changes.

Chair Goulet asked Ms. Webb if he was correct that the standby and special assignment pay listed as "situational" would have to be worked out on an individual basis. Ms. Webb replied those codes would have to be reviewed individually. Some were listed as "situational" because they were paid on an overtime portion of pay. As the proposed Resolution indicated, staff acknowledged instances where a pay code was used for more than one purpose and thus bore examination. Following that, staff provide a full implementation plan. Mr. Mastagni suggested further engagement with the unions, noting that previous discussion with staff reflected that certain pay codes may not distinguish between situations that were ad hoc as opposed to part of an employee's normal schedule.

Kevin Aguayo, President of the Board of Directors for Ventura County Professional Firefighters' Association (VCPFA), said that he did not envy the Board the weight of this decision. There was not enough solid information available to make a good decision, and he strongly suggested the Board delay or table the decision until more information could be gathered. Not only had three separate attorneys asserted that flex allowance should be included in compensation earnable, standby pay needed to be worked out and leave straddling needed to be dealt with, as well. He urged the Board to take their time in making a decision that could cause litigation, which would be irreversible.

Juhyung Harold Lee of Rothner, Segall & Greenstone, spoke on behalf of the Service Employees' International Union (SEIU) Local 721. He also believed it best to delay a decision on the flexible benefit allowances to allow for more information gathering and further discussions. He noted sharp disagreement about the extent to which *Alameda* compelled immediate action on flexible benefit allowances. The primary issue in *Alameda* was not in-kind benefits; nowhere did *Alameda* mention flexible benefit allowances, so he saw no reason why the Board must act on flexible benefit allowances immediately, even if it had an obligation to comply with *Alameda* regarding the changes enacted by PEPRA.

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Nick Odenath, President of the Ventura County Deputy Sheriffs' Association (VCDSA), said the Board's vote would significantly change retirement benefits, not only for VCDSA members but for most County employees, and they had hoped that the vote would be delayed to allow for further conversations and due process. The Board had heard only one interpretation of *Alameda*, an interpretation that would have a negative impact on benefits for a majority of County employees. The decision should be made after much research, discussion, and deliberation. Other experts had a very different interpretation, in particular as it related to the cafeteria allowance. Because of the County's unique cafeteria plan structure, it should be included when determining pension benefits for those hired prior to January 1, 2013. Simply put, the VCERA Board had not been presented with a clear mandate, statute, or court order requiring the removal of these benefits, but rather a single interpretation in an atmosphere of multiple interpretations from legal experts. Therefore, on behalf of the VCDSA members and all legacy County employees, he urged the Board to vote no on the proposed Resolution.

Debbi Pacheco, Labor Representative for the California Nurses Association (CNA), commented that CNA believed that VCERA's fiduciary counsel's interpretation of the *Alameda* case was incorrect. Further, no comparable benefit was being offered to replace what would be removed. Many nurses counted on flex credit as part of their pension, but clearly the issue went beyond CNA because thousands would be impacted. She asked that no decisions be made before allowing time for more research. She requested that the Board vote no regarding the Resolution.

Mike Powers, Chief Executive Officer for the County of Ventura, echoed appreciation for the meeting with VCERA staff and union partners in the previous week and said that progress was made at that meeting, which he hoped to continue. Mr. Powers characterized the issue before the Board today as likely the most significant decision the Board of Retirement would make in decades, as it could significantly reduce the retirement income of thousands of County employees, hitting the lowest-paid employees the hardest. Given the importance and complexity of the issues, the County respectfully requested that the Board defer action on the implementation of the Resolution to provide the County additional time, in collaboration with VCERA and their labor partners, to not only consider the legal and factual basis of the *Alameda* Decision, but to consider potential remedies to alleviate cuts to VCERA members' and County employees' pension benefits. Based on the research of the County's legal team and the legal teams on their labor partners, the County genuinely believed that the *Alameda* Decision did not dictate the proposed reduction of the flex credit allowance from pensionable compensation. Rather, the recommendation before the Board concerned matters of judgment that required time for a proper evaluation. In the absence of more time, he requested the Board reject the proposed Resolution. He thanked the Board in advance for considering their comments and recommendations, while also acknowledging the incredible weight of responsibility the Board had on its shoulders.

Emily Gardner, Assistant County Counsel for the County of Ventura, urged the Board not to adopt the Resolution as presented and provided five reasons not to vote for the Resolution and to delay their actions. One, *Alameda* did not change the law regarding in-kind benefits, which always had been excluded. Two, the County's cafeteria plan was not subject to the exception of the California Rule as articulated in the *Alameda* case, and if the Board wished to exclude the cafeteria allowance, they could not do so until they had worked in collaboration with the County to provide offsetting benefits. Three, with respect to the annual leave cashouts, the Board's existing Resolution already complied with *Alameda*; there would be no need to modify it with regard to straddling or anything else. Four, the *Sanders* litigation, which was the Federal Labor and

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Standards Act (FLSA) lawsuit referenced and added to the proposed Resolution, did not control what was and was not compensation earnable. It is not an analog for CERL, PEPRA or any other retirement law and should not be viewed as a safety net for legacy employees. As Mr. Powers and Mr. Mastagni had indicated, what the addition to the Resolution showed was that the case was still evolving and there should be no rush to action. Five, the Resolution as proposed to the Board simply said to comply with the *Alameda* exclusions and the PEPRA exclusions, which was not a proper use of the Board's authority. She noted that the Board had already received correspondence from now-retired County Counsel, Leroy Smith, and although she was not going to reread his letter to the Board on the issue, she encouraged the Board to read his letters and give them the weight they were due.

She further addressed the cafeteria plan, which seemed to be the biggest issue in terms of impact to most County employees. VCERA staff represented that they could no longer include the cafeteria plan allowance in compensation earnable because the *Alameda* case excludes in-kind benefits from compensation earnable, which she asserted was not at all what the ruling said. The *Alameda* Decision did not state any new law regarding in-kind benefits, and the issue of whether or not in-kind benefits or cafeteria plans could be included was not litigated in the *Alameda* case. It was not up for debate because it was right in the statute and had been that way since 1951. It was the law in 1989 when the Board adopted their original resolution that included cafeteria allowances in compensation earnable, as well as in 2008 when that resolution was amended for compensation earnable for Legacy members and opted to continue including the cafeteria plan. That was even the law after the *In Re Retirement* case was decided in 2003. Therefore, the Board had always concluded the cafeteria plan was not an in-kind benefit, and nothing in the *Alameda* Decision suggested otherwise. So, now 17 years after the *In Re Retirement* case and 31 years after the Board resolved to include the cafeteria plan allowance, the argument that the Board was suddenly mandated to exclude those benefits based on a case that did not even litigate that issue made no sense. The rationale given about the disapproval of a footnote in another case did not say what it was purported to say. Overruling the footnote in the *Guelfi* case did not transform any holdings from any prior cases. Even if the Board concluded that *Alameda* compelled exclusion of the cafeteria allowance from compensation earnable, it could not do so without replacing those vested benefits with offsetting comparable benefits, and there had been no effort to collaborate with the County to provide such offsetting benefits. While the Board's fiduciary counsel advised that the California Rule did not require them to, again that was not what the *Alameda* Decision said. The County recognized that the VCERA Board could not provide those offsetting benefits on their own, which also meant that the Board could not impair those rights unilaterally. The County was always ready to collaborate with the Retirement Board to explore alternatives that could be implemented.

Ms. Gardner said that in regard to the draft Resolution, the Board did not have a fiduciary duty to adopt the Resolution because it was an improper delegation of authority. The Resolution should state what was compensation earnable and what was not. The proposed Resolution before the Board did not have the specificity needed to be a proper exercise of the Board's authority.

She questioned the modification to the draft Resolution related to the outcome of the *Sanders* litigation, which had to do with whether the flex credit must be included in the regular rate of pay for overtime purposes or whether the employees were entitled to the entire flex credit as cash if they did not purchase health benefits. None of the analyses in *Sanders* was related to compensation earnable under CERL, and none of the applicable definitions would be the same. If the County of Ventura prevailed in the *Sanders* litigation, it would not mean that flex credit was an in-kind benefit,

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because it had a different statutory scheme with a different legal analysis. The Resolution did not account for what would happen if the County prevailed in the case but merely on what would happen if the County lost the case; it put undue emphasis on *Sanders*.

In regard to leave straddling, before the existing Resolution, the Board had already complied with PEPRA with respect to annual leave cashouts. Former County Counsel, Leroy Smith, outlined an example in his correspondence to the Board as to why straddling was not a problem.

In summary, she asked that the Board consider that there were legal interpretations in addition to that set forth in staff materials, and the Board should ask themselves if the proposed Resolution applied the law without violating the rights of vested Legacy employees. If there were any doubts, they should defer action.

Trustee Bennett asked Ms. Gardner to speak to the statement in Ms. Dunning's letter where she stated that former County Counsel Leroy Smith's assertion that the issue of whether insurance payments made by employers were in-kind benefits had "never been litigated" was incorrect, or whether Ms. Gardner could clarify Mr. Smith's response to that issue. Ms. Gardner replied that in the referenced cases, the Court was not analyzing whether the County of Ventura's cafeteria plan was an in-kind benefit. The court in the *In Re Retirement* case was analyzing the programs before it, and as previously noted, the County has a unique cafeteria plan allowance. Thus, to say that another county's cafeteria plan allowance was an in-kind benefit certainly did not mean that the County of Ventura's cafeteria plan was. The Court in the *In Re Retirement* case in 2003 held that the Retirement Board and employer were not required to include cafeteria plan allowances in compensation earnable, not that they were allowed to; there was a distinction. *Alameda* did not transform a case decided in 2003 by changing the facts of the law to now say that they were not allowed to include flexible benefit plans as compensation earnable. That was just not the way the law worked, because there was still room for the specific factual circumstances of the County's plan.

Chair Goulet remarked that he was concerned with the County's repeated statements that the Board was considering not including flex benefits, when the actual proposal before the Board was a Resolution to exclude only the portion of flex benefit that could not be received in cash, with the remainder to be pensionable. However, in all of Mr. Smith's letters and conversation, he referred to an exclusion of flex benefits, which was not before the Board.

Mariaelena Miller of the Specialized Peace Officers' Association of Ventura County (SPOAVC) urged the Board to take their time, to take a look at the facts, the law, and opinions of the other attorneys in the County before they took drastic measures to reduce the income for their members.

Ms. Doreen Salz testified. she had retired, effective July 31, 2020. In the months prior to retirement, she had been working with VCERA staff and had not been advised or warned that if she had retired just two days earlier, she would have been exempt from a benefit reduction. She gladly would have retired earlier. She said she was a single mother, so her pension was critical in supporting herself and her three grown sons, all of whom have Autism Spectrum Disorder. She asked the Board to take her statement into consideration in their determinations and to remember the human cost involved.

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Danny Carrillo, Regional Director for SEIU Local 721, echoed the previous comments given by his labor brothers and sisters, County Counsel, and Mr. Powers. They stood united and supported the effort to delay action on the Resolution. He believed that more collaboration and discussion would get them where they needed to be on the issue.

Chair Goulet said the Board had received online messages from representatives of VCPPOA and ACSCOA, also supporting a delay, and the Board had also received a message from Blair Brim of Operating Engineers' Local 501, stating their agreement with the other unions and County representatives.. He related that James Baroni had withdrawn his request to make public comment in the interest of time, but that his sentiments had been expressed by others.

Susanna Macias-Robles said that she had been working for the County since 1988 and urged the Board to kindly delay taking action on the Resolution.

Ryan Teruzie urged the Board to vote no on the Resolution or, at the very least, delay until a solid interpretation became available.

Maria Lafitte said that she had been working for the County of Ventura since 1989. She urged the Board to vote no on the Resolution to allow for more discussion and to learn more about the *Alameda* Decision. She also believed that the California Supreme Court ruling was being misinterpreted by the VCERA administration, and she stood in solidarity with the other County employees.

Ms. Webb informed the Board that Ms. Lafitte was the last request for formal public comment, but staff had also received several additional emails urging the Board to vote no. She said they would be placed in Board Books in the Diligent system for the Board to read.

Chair Goulet said that he would prefer that Ms. Dunning made her presentation to the Board before Ms. Webb's.

Ms. Dunning began by addressing some of the previous comments and responses. As previously discussed, the unanimous Supreme Court decision in *Alameda* was a very important one. The primary consideration was whether the PEPRA amendment that the legislature enacted on January 1, 2013, was constitutional, notwithstanding prior resolutions or settlement agreements that parties entered into that were contrary to what PEPRA had said. In their substantive and thoughtful analysis, the Court concluded that the statutes must be applied, notwithstanding the strength of the California Rule that applied typically to retirement benefit changes. The Supreme Court did not speak superficially, nor pontificate on matters that were not before it. What it did was respond to very substantive arguments made to it, that once a Board took discretionary action to include in compensation earnable a particular a pay item, it had no discretion to later exclude it. This was the *Guelfi* footnote argument that was the basis for the 1st District Court of Appeal in the *In Re Retirement* cases that said that certain in-kind benefits that employees did not receive in cash, may, but need not be included in pension retirement calculations. The California Supreme Court flatly rejected that argument and said that if a benefit was not be received in cash by a member, then it was an in-kind benefit and may not be included in compensation—and therefore may not be included in compensation earnable. That became, and was, a very important aspect of the Supreme Court's statement because it says that there were limits on County Retirement Boards' discretion to include in compensation earnable that which was not compensation. Interestingly, the

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County of Ventura and VCERA, through the office of the County Counsel, were litigants in the *In Re Retirement* cases; the quotation in her public letter about Judge Pollack's ruling in that case related to VCERA and County of Ventura specifically. Payments made on behalf of members that members may not receive in cash are in-kind benefits. VCERA had previously continued to permit those items to be included in compensation earnable because of the "need not" language in the *In Re Retirement* cases. Now, the *Alameda* Court has said that those non-cash payments may not be included, and it was very important to note that in most of the County retirement systems across the state, if a member did not receive a premium payment in cash, it was not included in compensation earnable. Moreover, there were other systems where, even if there was an ability to convert an in-kind benefit into cash, they were still not included. That was upheld as permissible and lawful in the *MAPE v. MarinCERA* case. However, what is in the proposed Resolution before the Board was a much more inclusive interpretation of compensation earnable, as it stated the only portion of flexible benefits to be excluded from calculation of retirement allowances of members who retire on or after the Supreme Court issued their decision was that which may not under any circumstances be received by the member in cash.

She noted that today, the Board had heard concessions that in-kind benefits were not includable. After all, at this point, no attorney in California law could believe that in-kind benefits were includable as a matter of law. So, the question becomes: What is an in-kind benefit for VCERA? What staff had prudently proposed was that the Board consider the maximum amount that a member could receive in cash to be pensionable, with only the least costly option required to purchase insurance or pay the opt-out fee not eligible to be received in cash non-pensionable. So, as Chair Goulet noted before, this was not a wholesale exclusion, but simply a minimum non-cash benefit to the member and not pensionable.

She said there was indeed some important progress made at the meeting last week on the topic of the *Sanders* litigation, because as Mr. Mastagni pointed out, the point that the unions were making in that case was that the opt-out fee that the County required employees to pay when not purchasing insurance was, in their words, an "illegal kickback." In her words, the question was: Was it, in fact, a benefit that members should be, and should have been, able to receive in cash? If that was the conclusion of the federal court, then in fact all of the flex benefit was cashable. Therefore, the proposal in the Resolution today was a form of postponing the final resolution on that topic to the extent that members would not suddenly be returned all of their contributions on what, at this point, appears to be a non-cashable benefit, but rather VCERA would wait for an acceptable order determining that it was, in fact, an all-cash benefit that people may receive without that opt-out fee.

In the interim, as the Board considered the urgings to delay, now that the Board knows that in-kind benefits are not permitted to be included in retirement allowance calculations, it would be inappropriate for the Board to continue calculating retirement benefits with such benefits included. The revised proposed Resolution had struck that careful balance, which was to not allow the perpetuation of the erroneous interpretation of the applicable statute while also recognizing there were some moving parts and pending litigation. If the unions were not to win their litigation against the County, then contributions on that minimum non-cash component included would be returned to them with interest.

Ms. Dunning further emphasized, acknowledging other comments, that when PEPRA was adopted by the legislature effective January 2013, the VCERA Board did not apply its new exclusions because the Board was concerned about the very argument the unions and others were making

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now. This concern was about vested rights and prior practice, and the concern was not unwarranted in the sense that there was very rigorous litigation that occurred over the subsequent seven years. But as a result of all of that litigation, the Supreme Court said no; in fact, CERL boards had a mandatory obligation to apply the statute as written, which was why she thought that in a careful listening of Mr. Mastagni's comments, they would hear that as an officer of the Court he was not suggesting that the Board include standby pay in retirement calculations because the Supreme Court had said that they may not. Rather, he was saying that the Board should not include those payments for standby during their regular recurring normal working hour schedule.

There had been no rush to judgment by VCERA, since the Supreme Court decision was filed on July 30, and VCERA's sister systems throughout the state were already applying the decision. Further, it was important that VCERA's Administrator have the authority of the Board because she already had the weight of the law to apply the decision. As noted, various important statements in the Resolution mitigated harm to members in as lawful a way as permissible for the various assumptions referenced.

Ms. Dunning then walked the Board through the proposed Resolution, (01:50:45) with the first paragraph noting the authority of CERL and PEPRA, under which the plan document operates. The second paragraph notes that the Board has already adopted a resolution which interpreted the pensionable compensation provisions and to whom those provisions apply, which was those members who joined VCERA as new members on or after January 1, 2013. The third paragraph is an important one in terms of the context because it recites that which the Supreme Court had also focused on, which was that in that prior resolution, the Board reserved its right to change a particular determination based on applicable law at the time, and that was exactly what the Supreme Court said must happen at the local county retirement board. The next clause defines provisions of the Government Code that applied to Legacy members on the one hand or PEPRA members on the other. The clause after that defines the term "PEPRA Exclusions," which were the exclusions provided for under the new definition of compensation earnable that was in section 31461. The office of County Counsel spoke to the Board regarding the focus of those exclusions on closing loopholes and preventing artificial inflation of retirement benefits, which was a primary goal of those PEPRA Exclusions, as articulated by the legislature and the Supreme Court. The next paragraph recites what the *Alameda* Decision said with respect to the PEPRA Exclusions, and that was that those amendments were constitutional and that CERL retirement boards were not contractually bound by settlement agreements, resolutions, including the 1989 resolution, or other similar actions, from implementing those amendments. This paragraph also notes that the PEPRA exclusions were focusing on the payments that were not permitted to be in compensation earnable under new subdivisions (b)2, 3, and 4 of Government Code section 31461. It is also referring to Government Code section 7522.34, which applied to payments received by a member for additional services rendered outside of their normal working hours, whether paid in a lump sum or otherwise. That was the section that was analyzed in connection with the exclusion of standby and on-call pay items. The first full paragraph on the second page of the Resolution describes what is called "Alameda Exclusions." These were the items previously mentioned that related to the Supreme Court's disapproval of *Guelfi* footnote 6 and the notion expressed in that footnote and a number of cases that followed the *Guelfi* case, that certain pay items, while not mandatorily included, may nonetheless be included. That was an argument put forth to the Supreme Court as a basis to require retirement boards to continue to include those items; the Supreme Court went out of its way to reject that notion by disapproving *Guelfi* footnote 6. Those intimately involved in the case know there was heavy briefing on that topic before the Court issued its unanimous decision.

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Trustee Bennett left at 10:56 a.m. and returned at 10:59 a.m.

Ms. Dunning said the last two paragraphs of the Resolution were simply noting that which was an incontrovertible statement of law, which is that the Board determines that the *Alameda* Decision and applicable law require it to change its determination of certain pay codes for either compensation earnable, pensionable compensation, or both. This was incontrovertible because the Board had delayed already. The Board had not applied the PEPRA Exclusions to compensation earnable at the time of the amendments and, instead, had delayed implementation pending the outcome of litigation. As fiduciaries, they were to apply PEPRA and its statutory exclusions, and they were also now subject to the *Alameda* Decision and its mandates. As for the Resolution itself, numbered paragraph 2 identifies to whom these PEPRA Exclusions apply and as to what period. One might take the position that the PEPRA Exclusions not only apply to everyone who retired on or after January 1, 2013, but also to the last seven years of overpayments they received, but this was not the position the Resolution takes. Instead, the Resolution acknowledges that the Supreme Court said the law must be applied to those who retired on or after PEPRA's effective date, which was January 1, 2013, but applies it on a go-forward basis to the retirement allowances paid by VCERA for the first time after that decision came down, which was the August 31, 2020 payroll. This was the most lawful and limited application of the *Alameda* Decision to VCERA's membership. Paragraph 3 deals with the Alameda Exclusions. The first sentence says that the Board will comply with Alameda's directives; they are directives regarding the Board's lack of authority to include Alameda Exclusions in compensation and compensation earnable. She quoted both in her letter and response to County Counsel's remarks and her PowerPoint the specific language that the Supreme Court used in order to explain the lack of authority of a retirement board to include items in "compensation" and "compensation earnable" that are not permitted to be included. The next two paragraphs of the Resolution say, to the extent in contravention of *Alameda*, VCERA impermissibly included amounts members may not receive in cash and that were not compensation under Government Code section 31460 in the calculation of benefit payments ; such amounts must be excluded. This would include all portions of flex credit that may not be provided to employees in cash under participating employers' rules applicable during the pertinent time period; those were in-kind benefits as described in the *In Re Retirement* cases. The assumption here was that the Board would exclude only the portion of the flex credit that may not be provided to members in cash. Again, this was a very limited application of this exclusion in that, in most CERL systems, all flex benefits were excluded if they were not received in cash by a member. In some systems, even flex credits that were received in cash was excluded. So, the Board is not limited by this Resolution to the inclusion of flexible credit to that which was actually received in cash; rather, it is an able to receive standard. That also is an application of the law that arguably could apply to all of the members who had retired because the statute had not changed. In order to recognize that this is potentially a very big change in pensionability rules, the Resolution applied it simply to those who retired on or after the date the Supreme Court stated the rule, disapproved *Guelfi* footnote 6, and stated that if it is an in-kind benefit it may not be included. The clause in paragraph 3, beginning with, "Provided however," is new language added following the meeting with the unions and their counsels and the County and its counsel last week. As noted previously, VCERA learned of pending litigation in the *Sanders v. County of Ventura* case where the plaintiffs are challenging the legality of the County's mandatory "opt-out" fees. In light of that litigation, the Resolution proposes that the implementation of the exclusion of the non-cash portion of the flex credit be dealt with as set forth in paragraphs 6 and 9. Paragraph 4 is another very important recognition of the difficulty to VCERA's members that arose as a result of the PEPRA amendments to CERL, which were no

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longer new law, as it was effective in 2013, and the more recent *Alameda* Decision, which stated those amendments must be applied. This provision says, with respect to overpayments that occurred before August 31, 2020 payroll, VCERA was not planning to recoup those amounts from retirees unless the IRS directs it in order to maintain VCERA's tax qualification. A retirement board could take the position that if they overpaid benefits they must recoup them. But in light of all the various considerations involved here, the Resolution proposed not to do that at this time unless the IRS at a later time directed the Board to do so, or the action was challenged and a court ordered the Board to recoup. In paragraph 5, since January 1, 2013, the Board has not only been overpaying benefits to its members but also collecting contributions on PEPRAs Exclusion items, such as standby and on-call pay. What the Resolution says is that the Board would return those overpaid contributions to the retirees to the extent they were in active service on or after January 1, 2013, the period of time when those contributions should not have been taken because the PEPRAs Exclusions were in force. Secondly, to the extent that they were dealing with a retiree who had not already received the benefit of those contributions by virtue of having been overpaid. This was another important governance directive from the Board in the Resolution. Paragraph 6 is one of the two referenced earlier relating to the *Sanders* case. This provision says that return of contributions on the non-cash portion of flex credit would be subject to a final determination in *Sanders* or another determination acceptable to the VCERA Board. This provision takes into account the possibility that the opt-out fees could be determined lawful; contrary to the County Counsel's statement that there is no recognition in the Resolution that the County could prevail in the *Sanders* case. Therefore, if the County were to win and the determination was that the opt-out fee was lawful, then the conclusion would be that those amounts or the mandatory minimum insurance coverage that was discussed in paragraph 9 are in-kind benefits because they could not be received in cash directly by the member under any circumstance, the definition of an in-kind benefit. The *In Re Retirement* cases said you may exclude from calculation of retirement allowances any payments that were not received in cash, but that was not what the *Alameda* Decision said. Rather, it said retirement boards may not include in compensation earnable that which could not have been received in cash, regardless of a person's individual choice of their insurance coverage. If the County were to win the *Sanders* case, then VCERA would also return all active and deferred members' contributions made on those in-kind benefits (from flex credits) that constitute Alameda Exclusions. This Alameda Exclusion would not be applied to those who retired before the *Alameda* Decision on July 30, 2020. Paragraph 7 states that VCERA shall make a corrective distribution, which may include interest, to active and deferred members for employee contributions reported and/or associated with PEPRAs Exclusions while in active service from January 1, 2013, through the date of implementation of the corrective distributions. The next paragraph turns to a different topic that had come up in public comment, which was a little surprising because the Supreme Court specifically describes "straddling" in its decision. The Supreme Court noted that the types of leave cashouts that were permitted, notwithstanding the PEPRAs Exclusions, only includes that which was earned and cashable in each 12-month period during the final average compensation period, regardless of when reported or paid. In fact, there had been pending litigation over the provision in Contra Costa County challenging the Board for their limitation of leave cashouts in precisely the way that is proposed in the Resolution. That litigation is likely over as a result of the Supreme Court's conclusion in the *Alameda* case. There is no legal basis for an officer of the court to pursue any litigation that seeks to include more in retirement calculations than what may be cashed out each 12 months of a one- or three-year measurement period. It was not the law that those that had the good fortune of having a one-year final average compensation period somehow had a right to enhance their retirement benefits with two cashouts in a year in an amount that a person with a three-year final average compensation period may not cash out each year. It was simply not the

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law, and that was what the Supreme Court had said. Paragraph 9 describes the legal basis for using a “cashable” rather than “cashed-out only” application of the rule to determine what was an in-kind benefit for purposes of implementing the Alameda Exclusion. This was not a mandate, because as she had noted, *In Re Retirement* cases had already said, since 2003, that payments on behalf of members that they did not receive in cash need not be included in compensation earnable. For the County or any union to have taken solace in that conclusion and to have thought that created a vested right was folly. It was not a vested right, because vested rights were created by statute, and ever since the litigation in 2003, to which VCERA was a party, the Court had made clear that there was no vested right to have anything that was not received in cash during the final measuring period included in retirement allowance calculations. To the extent that the parties in labor negotiations thought that it was the law, they were misinformed. Notwithstanding that, this paragraph says the Board is going to bend over backwards to apply the rule so that it was a “cashable”, not “cashed” analysis. So, for clarification with respect to corrective actions regarding the Alameda Exclusions, which was the return of contributions, collection of future contributions, and determination of compensation earnable for a members who retires on or after July 30, 2020, VCERA would assume that the member maximized their benefit that could be received in cash directly by the member. It was not mandatory for the Board to do that, but it was a concession in recognition of the history of the plan, where it had been included in the past, and it was a way to recognize the unfairness that appeared to arise from making the change now and, therefore, making the change in the way that had the most limited impact, in fairness to the members. Further, as provided in paragraph 3 and 6, VCERA would defer the return of contributions related to the Alameda exclusion until an opt-out fee legality determination. It is as important that VCERA not overpay retirees going forward as it is that they not return contributions to members that VCERA would later have to recoup from them. It is a fiduciary task that they have, to refund the correct amount of contributions and not to refund contributions where there was a pending piece of litigation over whether that pay item was a cashable one or not. The statement in the paragraph that says what would happen if the County lost the *Sanders* lawsuit and the unions prevailed explains that if the *Sanders v. County* case determined that the opt-out fee were not lawful, then there would be no return of contributions that are warranted for individuals to whom the County applies the conclusion in the *Sanders* case. If the County concedes that those opt-out fees were unlawful, then the issue was over because VCERA would have already determined that they were cashable and therefore, it was all pensionable. So, the issue fell much more into the hands of the County, in terms of what it had permitted people to receive in cash or not, during the applicable periods. In the Resolution, the Board would simply be applying the legal standards that applied to members, which was the compensation earnable and compensation definitions. The County Counsel office noted that FLSA rules did not dictate pensionability, but the *Sanders* litigation will impact what members could receive unrestricted in cash. If they were required to pay it back to the County or for an insurance premium, it would be an in-kind benefit because they could not receive it in cash. Paragraph 10 also recognizes the difficult situation for members, since there had been a statute in effect on January 1, 2013, that had not been applied by VCERA to exclude items from compensation earnable that should have been excluded. Therefore, it notes how an unfunded liability would be addressed because of that, so that VCERA would not need to have any lawsuits to recoup the money back from retirees. Paragraph 11 states that staff was to provide pay codes to the Board as soon as practicable to ratify exclusions from compensation earnable and pensionable compensation in compliance with Alameda and communicate to participating employers that member contributions are no longer to be taken on such pay codes, which as she noted, was a separate action by the Board.

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Trustee Bennett left at 11:19 a.m. and returned at 11:59 a.m., before the Board left for break.

Paragraph 12, addresses the availability of an administrative appeal, which was a topic that Mr. Mastagni referenced in his comments and something that was certainly implicit Ms. Dunning believed in what had been previously presented, which has now been made explicit in the Resolution. This was, to the extent that a certain member, group of members, a union on behalf of members, or even a participating employer disagreed with VCERA's determination as to whether a particular pay code was for services rendered during normal working hours of a member's classification or grade, that disagreement was something that could go through an administrative appeal process for a factual determination. Paragraph 13 says to inform VCERA members of the foregoing actions through appropriate means, and provide them with an opportunity to appeal, and paragraph 14 notes that the Resolution supersedes any previous resolutions for employer pay codes of employee compensation relating to compensation earnable and pensionable compensation, to the extent they were inconsistent with the foregoing directives. In closing, she said that she would be happy to take questions or comments.

The Board took a break at 11:21 a.m. and returned from break at 11:33 a.m.

Chair Goulet, Trustee Sedell, and Trustee Bennett asked clarifying questions about the issue of leave straddling, the application of "12-month period" and the calculation of the maximum allowable given the requirement in many labor agreements that 80 hours of leave be used prior to redeeming accrued leave, which Ms. Dunning addressed.

Chair Goulet also asked whether refunds to reciprocal members would be required. Ms. Dunning explained that a reciprocal member was a deferred member if they previously were a member of VCERA, but now worked for another retirement system, for purposes of the Resolution terminology. However, if he was speaking about someone who previously worked at another retirement system and was now a member of VCERA, the only thing that mattered in terms of the contribution return was the timeframe when they were at VCERA, for VCERA's purposes. Chair Goulet said that VCERA paid retirement benefits to those members based on their higher salary, but they never made contributions on that higher salary to VCERA. Trustee Sedell suggested it would work both ways then for a VCERA member who left and became a member of another retirement system. Ms. Nemiroff replied that when an employee was hired by the County and earned a higher salary here, their prior retirement system paid benefits based on the number of years in the prior system, but at the higher salary. That was the whole idea behind reciprocity, which was a statutory requirement.

Mr. Bennett asked, if VCERA had overpaid someone and needed to get that money back, were they allowed to recoup the money by decreasing the amount to be received in the retirement allowance going forward until the amount were recovered. Ms. Webb replied it was a method that VCERA could use to recoup overpayments over a period of time from the member's stream of payments going forward. Chair Goulet asked for confirmation that VCERA was not planning to recoup from retirees who retired before July 30, 2020. Ms. Dunning replied it was the in the revised Resolution unless the Internal Revenue Service or a court demanded otherwise.

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Trustee Hintz asked if this opened VCERA up to possible litigation by a taxpayer's organization, because they could argue that VCERA was making unlawful gifts of public funds by not pursuing individuals who owed VCERA money. Ms. Dunning replied that it was an argument that could be made in litigation, but her response would be that the Board made a judgment call based on fiduciary considerations and potentially a cost benefit analysis. In terms of what could be recouped from a member, in the context of going back a long period of time, there could be challenges to the Board in doing that; therefore, it was a judgment call. Chair Goulet noted a provision in the revised proposed Resolution that those individuals would not receive a return of contributions either unless their overpaid of contributions exceeded the overpayment of benefits. Ms. Dunning replied that Chair Goulet was correct.

Ms. Webb provided background to the events preceding the Alameda decision. In their implementation of PEPPRA after January of 2013, some of the other CERL systems began excluding certain pay items from compensation earnable and they were subsequently sued for it. More than seven years later, the Alameda ruling was issued on July 30, 2020, and was a unanimous decision essentially saying that those systems were correct in excluding the pay items. Further, the exclusions specified were constitutional, and even if settlement agreements to include those items existed, CERL boards had no authority to enter into agreements promising anything not constitutional and not within their power to promise.

The pay items in dispute in the Alameda decision were for pay for services outside of working hours, such as standby pay, on-call pay, and termination pay. Because Ventura County uses such pay items, as do other plans, staff had been monitoring the case. Staff and others were surprised that the Court also spoke to in-kind benefits, such as health insurance premiums and other third-party payments not received in cash. In Ventura, the portion of flex credit not permitted to be received by employees in cash fell into that category. Before the ruling, VCERA believed it had the discretion to include the full amount of flex credit, but after the ruling, staff and VCERA counsels agree only the amount paid to the member in cash may be included in compensation earnable.

Like VCERA, since the July 30th ruling, other CERL Systems had been conferring with their respective counsels and proposing implementation resolutions and plans. One listening today might conclude that everyone across the state was arguing about the proper interpretation of the Alameda decision. However, VCERA's CERL colleagues report nowhere near the degree of controversy and argument being seen in Ventura. Staff was not proposing wholesale exclusions, and in acknowledgment that the use of some of the indicated pay codes could be situational, VCERA staff would need cooperation from the County to initiate pay code distinctions. In addition, both staff and VCERA counsels were recommending that any portion of flex credit which may be received in cash be included in compensation earnable, and that only the portion restricted or not payable in cash be excluded. It was unfortunate that employees were not permitted to receive the entire amount of flex credit in cash, even if they were to opt out of medical coverage altogether. The County-mandated opt out fee charged against the flex credit allowance was large enough to consume most of the flex credit allowance. Were that fee not mandated, VCERA staff would be recommending that the entire flex credit amount be included in compensation earnable.

Ms. Webb said that while staff and counsels' interpretation was unpopular as evidenced by the public comment, their role was to follow the law and administer the Plan accordingly. When the Supreme Court issued a new ruling, staff did not have the luxury of implementing only the easy parts. In terms of timing and the proposed delays, VCERA had been in an administrative limbo

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since July 30th. As Administrator, her hands were tied in issuing benefits and estimates because compensation earnable was a figure and calculation used by staff every day in those calculations. Given that the ruling was now law, further delay put VCERA at risk of paying illegal benefits.

Ms. Webb said that staff and counsels truly understood the impact of the recommendation, and while she had agonized over it and VCERA staff and counsels did not relish proposing the Resolution, it was their duty to do so. As Administrator, she was charged with complying with the law in administering the Plan, and therefore she recommended adoption of the proposed Resolution.

Trustee Hintz said the Supreme Court decision was clear and unanimous and he did not think that the constitutional issues in it were likely to incite the interest of the State Supreme Court, making a change in the decision unlikely. However, he believed it to be wrongly decided, and unnecessarily retroactive without warning, clearly impairing contracts long in existence, and going much further than it needed to go.

Trustee Roberts asked, referencing paragraph 7 of the proposed Resolution regarding refunds to legacy members, what happened to the contributions paid on flex credit before 2013.

Ms. Dunning replied that paragraph 7 applied only to PEPRA exclusions as of January 1, 2013, which was additional payment for services rendered outside of normal working hours and excess leave cashouts. What Trustee Roberts was referring to was the in-kind benefit portion of flex credit, which was an Alameda exclusion. The Resolution provided that if the County were to win the *Sanders* litigation, or there was otherwise another determination that the opt-out fee was lawful, then the contributions they paid on the portion they were not permitted to receive in cash would be returned for a person's entire career.

Ms. Webb said that staff had reviewed rate information going back to 1989, in an effort to calculate the maximum cash-back scenario for each member for each year.

Trustee Bennett said no other county had the same unique combination that Ventura had with the opt-out fee and other things. Therefore, he agreed with Mr. Mastagni's statement about getting it right before implementation, and the Board should ask themselves if they have the issue right. He recognized it was VCERA's decision alone, but that did not mean that VCERA should take action in an atmosphere where transparency was questioned. He believed the solution was for the Board to seek a Declaratory Judgement on the matter and do it in as much of a collaborative manner as possible. He submitted for consideration that the Board not adopt the proposed Resolution immediately.

Trustee Bennett moved that VCERA work to obtain declaratory relief on the issue, to the extent possible, collaboratively with the unions and other interested parties. He also wanted to point out that the unions were the direct representatives of the members who were the beneficiaries of the Plan and the County was only secondary to them in the situation. An ad-hoc committee had already had one meeting with the unions and other stakeholders, and he would offer that significant change in the Resolution had taken place as a result of that one meeting. Perhaps other things would happen if they allowed for more conversations with the unions to the extent that they were willing to cooperate.

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Chair Goulet said that the Board could not just go before the Court and ask which interpretation was correct. He asked Ms. Dunning whether the Board needed to take some kind of action in order to get declaratory relief in order for the Court to validate what was done or to decide if the action was wrong.

Ms. Dunning said there needed to be a case for controversy, and it could not be solely a request for an answer on what the Alameda Decision meant for VCERA as the Court would not rule on that request alone. However, the Board had a proposed Resolution they could adopt, and then seek declaratory relief because obviously there was controversy that the courts could solve. Chair Goulet suggested the Board could adopt the Resolution with language delaying implementation, pending declaratory relief.

Ms. Dunning replied such an approach was akin to imposing a temporary restraining order on oneself, which while feasible, VCERA may then face the precise situation three other CERL systems faced in the case that led to the Alameda Decision. For a period of time, they were not able to implement PEPRA because there was a stay order they had agreed to, which meant that there were a great number of corrections to be made relating to payments made during that one-year period. The way courts often viewed such situations was that when it was an issue of money, it could be fixed on a prospective basis and retroactively. Therefore, it was reasonable to adopt the Resolution as proposed and then seek declaratory relief, the nuances of which should probably be worked out in Closed Session. The Court then would have something to resolve, rather than the Board imposing a stay on itself; otherwise, VCERA would be digging a deeper hole for itself if exclusion were correct. Conversely, if exclusion was incorrect, the Plan would simply be paying members more money in the future.

Trustee Roberts asked if there was a way to extricate the flex credit issue and adopt the rest of the Resolution that seemed to be clearer and that there was more of a consensus on between the staff, unions, and counsels. Ms. Dunning said they could reserve action on the flex credit and adopt the rest of the Resolution, but for clarification, she noted that the current draft delayed implementation on the flex benefit in terms of the return of contributions, and the only impact it would have on a go-forward basis would be to discontinue members from receiving the flex credit portion that was not cashable included in their future retirement allowances. For people currently retiring, the Board would not continue to include it under the proposed Resolution pending further court resolution if they sought declaratory relief.

Trustee Sedell observed if that were the case, the Board would not have a controversy regarding flex credit upon which to seek declaratory relief. Ms. Dunning said that was correct because they needed a case for controversy, and removing the flex credit item would remove that issue of controversy.

Trustee Sedell asked if there was something that could be adopted that did not go as far as the proposed Resolution, but that would still constitute a dispute upon which to seek declaratory relief. Ms. Dunning replied that she believed that the proposed Resolution parsed the various aspects of the issue carefully, so her recommendation remained unchanged. She wished to address the Board in Closed Session regarding potential litigation that should be considered by the Board.

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Trustee Bennett said he would like to modify his original motion to direct VCERA's counsel and staff to return to the Board after meeting with the unions to see if they agree to seek declaratory relief. Trustee Sedell asked what kind of time frame should be put on that motion. Trustee Bennett estimated a couple of months.

Trustee Sedell said that based on fiduciary counsel's advice, he understood VCERA needed to take some action to show its intent is compliance. Ms. Dunning said staff should not be retiring members with PEPRA exclusions included in their retirement allowance. While she did not disagree that there could be a way to seek additional guidance from another court on the flexible benefit topic, in the meantime, she urged them to implement the law on the terms outlined in the Resolution.

Trustee Bennett then asked what VCERA had been doing so far. Ms. Webb said the first action following the ruling was to contact members who had filed a retirement application, and though staff could not tell members what the Board would do, they were informed their previous estimates to be incorrect as a result of *Alameda*. The longer the uncertainty went on, the more difficult it was to administer the Plan because VCERA staff had to know which pay items to include or exclude in calculations. While some members retired despite later potential reductions and recoupment, most members wanted certainty before retiring as to whether there would be a change to their benefits after retirement. Presently, members were requesting multiple calculations based on possible outcomes. Further delay would compound these issues, which had been mounting since July 30th.

Trustee Bennett asked what VCERA had been including in the retirement benefits of those retiring after the Alameda ruling. Ms. Webb replied that for those members, flex credit continued to be included in absence of an implementation resolution, despite awareness that future corrections were likely. Further, the longer any improper inclusion continued, the more subsequent recoupment of benefits could be necessary. Trustee Bennett thought that the current inclination from the Board was to continue paying members at the current level, but alerting that that an adjustment could be coming. Ms. Webb submitted that in terms of future action, it generally was preferable to pay retirees than to collect or recoup funds. Trustee Bennett said that staff had been doing what he believed that the Board directed.

Ms. Webb said that given the substantial list of impacted pay codes, staff was already in the position of analyzing compensation of retirees back to 2013 to manually extract them, which was a difficult undertaking. If the PEPRA exclusions alone were done initially, and later the Alameda exclusions were added, that process would have to be done a second time.

Ms. Dunning noted sources of a risk that arose from the proposed delay, and suggested the Board did not want to be in a position where it was willfully not complying with the law that applied to them. Trustee Sedell said that while he respected that counsel's job was to keep clients out of trouble, occasionally the Board needed to ask how they could implement with the least risk and to get to where Trustee Bennett had proposed.

Ms. Dunning said VCERA should stop paying retirement allowances that include the mandatory exclusions, and provide people with administrative appeal rights while working proactively with the County and other participating employers and union groups to the extent there was an issue with pay codes falling inside or outside of the exclusions. Regarding flex credit, a strong lesson from the Alameda decision was, that which is not cashable to a member may not be included in retirement allowance calculations. It was best for the Board to stop any perpetuation of the erroneous

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construction of statutes. While in light of all these disputes, she supported a judicial resolution to assist in resolving the dispute, being that the least risky action from a compliance perspective was to comply with Alameda.

Trustee Sedell suggested VCERA continue to allow the members to receive the regular amounts of retirement allowances until the issue was decided, while acknowledging they may have to return a portion of that allowance.

Trustee Bennett suggested directing staff to draft a new Resolution that excluded flex credit, while adopting the other exclusions. This would show progress, and at the same time, allow the board to come up with a potential strategy to pursue declaratory relief as quickly as possible. Again, it would show that they were acting, and something regarding the flex credit could be adopted later and relatively quickly.

Trustee Roberts said an issue was whether to pay benefits now or to withhold them and possibly pay them later. Were he retiring, he would prefer the Board limited or withheld the flex credit amount, knowing that he could receive more in the future. Trustee Hernandez-Garcia said given the current economic times, she believed retirees would prefer to have the amounts included now and recouped at a later time if necessary.

Ms. Dunning said the typical fiduciary response was to not overpay members or to suggest somehow that they had a right to the overpayment when the Board was on notice that it could be an incorrect application, and as Trustee Roberts said, the Board could always return any underpaid amount to members with interest.

Trustee Sedell asked if recoupment would be done over time, as opposed to a lump sum. Ms. Dunning replied that while she was not the Board's tax counsel, she understood there was strong guidance on correcting as soon as possible, which was another consideration the Board should consider.

Trustee Sedell said he was seeking a way for the Board to move forward in the least impactful way for the members that also protected the Board.

Ms. Dunning replied that the proposed Resolution did a great deal in that respect, to the extent that it was coupled with some sort of collaborative approach. In regard to the *Sanders* case point, language in the Resolution did not completely rely on the case, noting paragraph six said, "*subject to a final court interpretation or other determination*", which was intended to recognize that it might be through declaratory relief that the issue would be resolved.

Ms. Webb said her main concern was for those who were newly retired or in the process of retiring because some might not have the luxury of waiting for the ultimate outcome. Trustee Bennett said that he could appreciate that, but that staff could not make a change to members' retirement calculation until the Resolution was passed, but he had not heard the Board say that they were convinced of Ms. Dunning's interpretation regarding flex credit. He suggested a way to craft a new resolution to receive declaratory relief fairly quickly was to direct staff to return with a resolution that did not include the flex credit allowance item, and to work with the unions collaboratively to get declaratory relief as soon as possible.

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Chair Goulet believed the discussion had gone on long enough, and the Board needed to decide one way or the other.

Trustee Ashby said he had been silent thus far, noting this was a difficult decision. He was still battling with the idea that the flex credit could be used to spike pensions. Given that the PEPRA legislation came about to reduce or stop pension spiking, he still did not believe that flex credit was used to spike pensions. He understood the in-kind benefit concept, but the flex benefit was something that employees could receive portions of in cash if they opted out of insurance, which penalized members who did not have the option to opt out. While he could see the potential for spiking the pension through standby pay and on-call pay, and even the straddling issue, he would personally like to see the flex credit item carved out of the proposed Resolution because as a fiduciary, he believed they had to protect the rights of members. He believed that the law was still vague regarding flex credit.

Ms. Dunning said to clarify on the Alameda exclusions, the issue was not pension spiking but rather whether a particular benefit was compensation earnable or not. The Alameda exclusions were only addressed in the proposed resolution sections 3, 6 and 9, and if the majority of the Board felt as she understood Trustee Ashby did, they could adopt the Resolution without those sections.

Trustee Ashby then asked if the Board could go into closed session before they decided on the Resolution. Trustee Sedell remarked that the whole Board voted to change the agenda order to vote prior to the Closed Session. Trustee Bennett repeated that the Closed Session meeting was to discuss the potential for litigation and not the Resolution, which they must resolve in Open Session. Trustee Goulet said that they could discuss potential litigation as a result of whether the Board adopted the Resolution or failed to adopt it, because he thought there was potential for litigation in either decision.

Trustee Bennett said that he had been told he should recuse himself from the Closed Session. Ms. Nemiroff said that it was Trustee Bennett's choice whether or not to recuse himself, though the admonition was that he should recuse.

Trustee Sedell asked if that meant that Trustee Hintz would have to recuse himself. Ms. Nemiroff replied no, only Trustee Bennett was on the governing board of the County of Ventura, which could potentially sue VCERA.

Trustee Sedell expressed frustration with the prospect of going into Closed Session without the entire Board, and if they were going to discuss the Resolution they might as well do so in Open Session.

Trustee Ashby said he wanted to make sure the Board understood the effect the flex credit issue would have on members, but also that members should understand the trustees' obligation to follow the law as it stood now, which stated the exclusion of in-kind benefits, though noting he had doubts on the interpretation of in-kind benefits pertaining to the County's cafeteria plan.

Trustee Bennett said that the sense of urgency bothered him, and though the Court's determination was issued in July, the Board had no meetings until September. A few additional weeks or months did not seem an inordinate amount of time, even though it would put more pressure on staff. Also,

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after one meeting, staff and other stakeholders came up with modifications to the proposed Resolution, and perhaps the attorneys could work together to settle the issue quickly for members.

Therefore, he moved the Board approve the proposed resolution except sections 3, 6 and 9, and direct staff to try to work collaboratively with the union representatives and other stakeholders, to the extent possible, to seek declaratory relief as quickly as possible on the flex credit issue. Trustee Sedell said that he would like to second the motion, though he believed a timeline should be included in the motion.

Trustee Hernandez-Garcia said VCERA should work collaboratively with the unions and other stakeholders to resolve the arguments on the flex credit allowance, even though she realized how difficult it was for staff during this time, as well as for members wanting to retire.

Trustee Roberts asked how long the PEPRA legislation took to implement after it was passed. Ms. Nemiroff replied that some aspects were implemented right away and the issue of what was included in pensionable compensation took some time.

Chair Goulet said that PEPRA legislation said that they must exclude these certain pay items from compensation earnable for those who were hired after a certain date. He suggested Board go into Closed Session to deal with potential litigation and possibly declaratory relief, what the strategy was, and how staff could collaborate with the other stakeholders.

Trustee Sedell said that there was a motion and a second on the floor. Chair Goulet said that he did not hear the motion.

Trustee Bennett said he felt it best to vote in Open Session prior to Closed Session. He repeated the motion.

Trustee Sedell added that it was in recognition that all of the other points in the proposed Resolution were appropriate, though he did not agree with them.

Trustee Roberts asked Ms. Nemiroff and Ms. Dunning if the Resolution's remaining text was coherent in absence of sections 3, 6 and 9, or if the Resolution needed to be redrafted to exclude the flex credit item.

Ms. Nemiroff believed that Ms. Dunning had answered that by saying the Board could remove sections 3, 6 and 9 which dealt with the flex credit issue, and adopt the remainder of the Resolution. There was only one other benefit that they would delay on, which was the annual leave donation to the Employee Emergency Assistance Program, which may not be received in cash and would thus be treated as an Alameda exclusion. Removing sections 3, 6 and 9 would be delay resolution on the flex credit, but also on the annual leave donation that staff was treating as an Alameda exclusion.

Trustee Bennett said the big benefit to moving forward this way given that Ms. Dunning said that there was a risk to everything, was that VCERA was not even proposing the strictest interpretation of Alameda. Another benefit was to have some collaborative input to show the Board had made a good faith effort. Ms. Webb said she understood that under Trustee Bennett's motion, VCERA would continue to include the flex credit amount for new retirees, and staff would notify them as

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they retire that the flex credit could potentially be removed in the future and that any overpayments would be recouped. Trustee Bennett replied that was correct.

Trustee Sedell asked if the Board had come to an agreement on the “straddling” issue related to annual leave redemptions. Trustee Bennett asked Ms. Dunning if the Board were to adopt the motion whether the topic of straddling would still be a point of discussion, and whether it would be difficult to modify the Resolution afterward. Ms. Dunning replied that straddling was a PEPPRA exclusion and if the issue ended up in court to get declaratory relief, the entire Resolution would be subject to a judicial determination. She recommended that if the Board were to remove anything from the proposed Resolution that they limit that removal to sections 3, 6 and 9. She noted it would not be the end of the story if they filed a declaratory relief action.

Trustee Sedell said that the issue would still be open as to the implementation process, and the declaratory relief could be discussed with the Board.

Ms. Dunning replied that it would not be open for discussion in the sense that the Resolution stated the Board would follow Alameda as stated and not allow inclusion of more than what could be cashed out in each 12-month period. So, it would be addressed in court, but she would not suggest that it be brought back to the Board. Chair Goulet remarked that the straddling issue was not as big of a monetary impact as the in-kind benefit issue, and at the highest level of the County, the difference was 88 hours of credit towards retirement.

Trustee Bennett said that the biggest issue was certainly the flex credit, but straddling was a County HR versus VCERA issue, which should get worked out in the implementation, and the Board should keep its focus on flex credit. The benefit of his motion was that everyone was now focused on the main issue and not the ancillary ones, demonstrating the Board was being responsible on the items of which they were convinced, but also cautious on the items of which they were not convinced.

Trustee Goulet reminded the Board they needed to adopt something on which they could then seek declaratory relief.

After discussion by the Board, the following motion was made:

MOTION: Adopt Resolution, excluding Sections 3, 6 & 9 and direct staff to work to obtain a Judgement in Declaratory Relief, and to the extent possible, work collaboratively with the union representatives and other stakeholders.

Moved by Bennett seconded by Sedell.

Vote: Motion carried

Yes: Ashby, Bennett, Hernandez-Garcia, Roberts, Sedell

No: Goulet, Hintz

Absent: -

Abstain: -

Chair Goulet said that he voted no because he believed the Board had a fiduciary responsibility to follow the advice of fiduciary counsel. Trustee Hintz said that he voted no because it was a two-part

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motion and he agreed to a continuance, but not to adopt anything in compliance with the Alameda case.

Chair Goulet suggested a lunch break before closed session. Trustee Sedell asked if the Board still needed a closed session and if there was still the potential for litigation. Ms. Dunning replied that there were topics that the Board should discuss in Closed Session.

Trustee Bennett said he would not be attending the closed session, although he was not completely recusing himself from the issue. He repeated he did not believe there was cause for him to be blocked from Closed Session just because he was paid by the County, nor did he agree with any suggestion that criminal litigation could be brought against him. He trusted his colleagues to do a great job in the Closed Session.

Ms. Dunning said that counsels did not advise individual trustees on how the conflict of interest rules could play out, but they do advise on the general parameters that should be considered, which in this instance was between a Trustee who was on the Retirement Board as well as the Board of Supervisors. As the General Counsel had pointed out, under Government Code 1090, when an institutional conflict existed, one was deemed to be interested in the matter by virtue of one's position on the Board. It did not go away unless there was a remote interest exception that allowed someone to disclose and recuse. She said a source for clarification on the issue might be the Fair Political Practices Commission (FPPC), from whom the Board may find it prudent to get an opinion.

Trustee Bennett said that should VCERA seek guidance on the issue of his recusal, he wished to be informed because he could offer some insights, and it appeared to him that there was some selective choosing of the facts. Far more extensive information had been offered to him in terms of recusal justification. It was a legitimate question based on whether he was a County Supervisor or not, but identifying these other things was an overreach.

Trustee Goulet said that the Board would convene in Closed Session at 2:00 pm.

Trustee Bennett said wanted the record to show that Chair Goulet had said Trustee Bennett would be included in a lawsuit, which would make him personally liable. Chair Goulet replied that he had said "could" rather than "would". Trustee Bennett said either way was an inappropriate use of a lawsuit action to try to influence whether or not someone participated in Closed Session. Trustee Hintz said that he agreed with Trustee Bennett.

Ms. Webb stated the Zoom open session would remain open while the Board was in Closed Session, and when the Board was ready to return to Open Session, staff would provide a 5-minute warning prior to resuming Open Session.

The Board went into Closed Session at 2:00 p.m. and returned to open session at 2:42 p.m.

Trustees Bennett and Hernandez-Garcia did not return to Open Session.

Following Closed Session, Chair Goulet called the resumed meeting to order at 2:42 pm and reported that the Board took no reportable action except that the ad hoc litigation committee would

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continue discussions as per the collaboration referenced in the earlier motion made in Open Session.

VIII. NEW BUSINESS

A. None.

IX. INFORMATIONAL

None.

X. PUBLIC COMMENT

None.

XI. STAFF COMMENT

Mr. Gallagher informed the Board that Eaton Vance, the parent company for Parametric and Hexavest had just been acquired by Morgan Stanley, and although it was early, neither he nor Mr. Martin saw a negative impact from the acquisition. Also, Sprucegrove was just selected by Vanguard as one of 3 managers to manage a \$9.8 Billion fund, which was good considering the amount of due diligence that Vanguard did on their outsourced managers and Sprucegrove received \$3.4 Billion of that to manage. He updated the Board on preliminary performance numbers for the period ending September 30th, saying the July returns were a positive 3.4%, August was a positive 3.8%, and September was a negative 1.88%. Therefore, it looked like the fund was up 2.8%, and calendar year to date, they were up about 4.9%, and again on a preliminary basis, the portfolio was valued at \$6.27 Billion.

Ms. Webb said that the because the Alameda Decision Resolution was not adopted as proposed, staff was still in limbo regarding flex credit. She asked the unions and members for their patience and staff would provide the best information possible during this time.

She said that had Board not acted to follow the law, she had been prepared to tender her resignation. Because the Board did adopt a modified resolution, she would not resign but stressed how difficult the current situation was administratively, even for a short period of time, and even more so for an extended period. As Administrator, she believed that following the law was what she was charged to do, and she would continue to work with the Board and Ad-hoc Committee. She again would ask that the members would have patience in the meantime as staff made every effort to move forward compliantly and as quickly and efficiently as possible.

XII. BOARD MEMBER COMMENT

Chair Goulet said that he received a member inquiry whether a notice would be sent out to all of VCERA's members regarding the Board's decision on implementing the Alameda Decision and if so, would it be posted to VCERA's website or sent via mail. Ms. Webb recommended that staff could update the website right away to report the Board's action. As far as messages to individual members, because of the different pay codes involved it would be difficult to manage on a large scale, so she would recommend that VCERA continue to explain as part of calculations and transactions, whether it be a retirement application or retirement estimate. She hoped the unions would assist VCERA in keeping members educated and staff would communicate with members as they asked for information regarding their specific situations. Trustee Goulet said that he thought that it was the right way to proceed in communicating the information to the members.

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Ms. Webb noted that Ms. Mariaelena Miller had sent a message asking if VCERA would be notifying the unions when the meeting regarding the flex credit benefits issue. Chair Goulet said that the Ad hoc Committee would be meeting with the union representatives and the County of Ventura. So, all the stakeholders would receive a meeting invitation. Ms. Webb remarked that staff would be informing the County leadership as well as the various union leaderships once they have set up the meeting, which they hoped to do very soon.

Chair Goulet then asked for a motion to adjourn the meeting.

MOTION: Adjourn the Disability Meeting of October 12, 2020.

Moved by Roberts seconded by Ashby

Vote: Motion carried

Yes: Ashby, Goulet, Roberts, Sedell

No: Bennett, Hernandez-Garcia, Hintz

Absent: -

Abstain: -

XIII. ADJOURNMENT

Chair Goulet adjourned the meeting at 3:06 p.m.

Respectfully submitted,



LINDA WEBB, Retirement Administrator

Approved,

ARTHUR GOULET, Chair

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

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TRUSTEES
PRESENT:

Arthur E. Goulet, Chair, Retiree Member
Mike Sedell, Vice Chair, Public Member
Steven Hintz, Treasurer-Tax Collector
Steve Bennett, Public Member
Robert Ashby, Safety Employee Member
Jordan Roberts, General Employee Member
Cecilia Hernandez-Garcia, General Employee Member
Will Hoag, Alternate Retiree Member

TRUSTEES
ABSENT:

~~Trustee Towner, Alternate Safety Member~~

STAFF
PRESENT:

Linda Webb, Retirement Administrator
Henry Solis, Chief Financial Officer
Julie Stallings, Chief Operations Officer
Dan Gallagher, Chief Investment Officer
Lori Nemiroff, General Counsel
Leah Oliver, Chief Technology Officer
Shalini Nunna, Retirement Benefits Manager
Josiah Vencel, Retirement Benefits Manager
Rebekah Villalobos, Retirement Benefits Manager
Jess Angeles, Communications Officer
Chris Ayala, Program Assistant

PLACE:

In Accordance with the Governor's Executive Order N-29-20 (3), the Members of the Board will be participating via teleconference. Pursuant to Government Code §54954.3, members of the public, to the extent required by law, will have the opportunity to directly address the Board concerning the below mentioned business.

TIME:

9:00 a.m.

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ITEM:

I. CALL TO ORDER

Chair Goulet called the Disability Meeting of October 12, 2020, to order at 9:01 a.m.

II. APPROVAL OF AGENDA

Trustee Bennett moved that item "VI.A. Closed Session" follow item "VII.A. Staff Recommendation to Adopt Resolution to Implement Changes to Compensation Earnable Resolution in Compliance with the California Supreme Court Decision, *Alameda County Sheriff's Assoc. et al., v. Alameda County Employees' Retirement Assn., et al* (2020) 9 Cal.5th 1032 ("Alameda")." He said the discussion during the Closed Session could influence the vote, and it could appear as though the Board decided how to proceed on the proposed Resolution before the Open Session vote. Chair Goulet offered an alternate motion to first hear Public Comment and then go into Closed Session before returning to Open Session to vote on the Resolution.

~~He said the discussion during the Closed Session could influence the vote, and it could appear as though the Board decided how to proceed on the proposed Resolution before the Open Session vote.~~

~~Chair Goulet offered an alternate motion to first hear Public Comment and then go into Closed Session before returning to Open Session to vote on the Resolution.~~

Trustee Sedell said that going into Closed Session before voting on the Resolution would allow the Board to discuss potential litigation and possibly negate it. Also, he had questions that might be inappropriate for Open Session, as they involved possible litigation.

Trustee Bennett related a phone call he had received the previous Friday from Chair Goulet and General Counsel Nemiroff, suggesting he recuse himself from the Closed Session. On Sunday, he received a subsequent memorandum, explaining the justifications for his recusal. He concluded that another trustee reading that memorandum might conclude he should recuse. He asked the other trustees to keep an open mind and to note that though he was not the only trustee who worked for the County, he was the only one who had been asked to recuse. He said the Board was not going into Closed Session to discuss the initiation of litigation, but rather the exposure to it, and there was a risk the Board would be unable to walk the fine line to limit the discussion only to exposure to litigation. He believed it better to reverse the order of items as he had suggested. Though County Counsel Leroy Smith had written a few memorandums disagreeing with Ms. Dunning's interpretation of *Alameda*, it was not in preparation for a lawsuit, though VCERA had cited anticipated litigation by the County as the basis for a Closed Session and the reason for his recusal, both previously and today.

Chair Goulet said that, unlike the general and safety members serving on the Board, Trustee Bennett was not simply an employee, but a member of the governing Board of the County. He reminded Trustee Bennett of his previous acknowledgment of a potential conflict of interest. Trustee Bennett responded that a perception of a conflict of interest existed for everyone who was on the County payroll, whether in an officer's position or otherwise. He took offense to remarks made during the earlier referenced phone call, saying they appeared to use the threat of litigation to eliminate the one trustee who could say some things that some individuals did not want said, either in Closed or Open Session. Ms. Nemiroff said that no trustee would be forced out of the Closed Session, which was explained in the memo. The request that Supervisor Bennett consider recusal

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was a result of his position on the governing board of an entity with which VCERA may end up in litigation. The exposure of litigation came not only from the County of Ventura, but also labor unions and individual employees. An exposure to litigation discussion may include the topic of a potential cross-complaint, which could be against the County. Therefore, in Supervisor Bennett's case, it would be inappropriate for him to be sitting on both Boards, and thus two sides of an issue, when litigation was discussed. Also, because of the issues of discussion in the Closed Session, the conflict had been triggered, which again was explained in the confidential memorandum.

~~Trustee Bennett responded that a perception of a conflict of interest existed for everyone who was on the County payroll, whether in an officer's position or otherwise. He took offense to remarks made during the earlier referenced phone call, saying they appeared to use the threat of litigation to eliminate the one trustee who could say some things that some individuals did not want said, either in Closed or Open Session.~~

Trustee Hintz said it was not up to the Board of Retirement to determine whether or not Trustee Bennett should be disqualified from the Closed Session. If the argument for Trustee Bennett's recusal was that he was an officer of the County, the argument could apply with equal force to himself. Ms. Nemiroff said that Trustee Bennett's position on the governing board of the County made it more of an institutional conflict of interest than a personal financial one, which was explained in the confidential memorandum.

Trustee Hintz asked for clarification on the reason being used to force Trustee Bennett and himself out of participating in hearing that item. Trustee Sedell said it was ultimately Supervisor Bennett's decision to participate in Closed Session or not. Chair Goulet said he had consistently stated that his basis for suggesting Trustee Bennett's recusal was by virtue of his position as an officer of the County, not in regard to a financial interest. Further, as Trustee Sedell stated, the Board could not prevent Trustee Bennett from participating in the Closed Session because it was his decision to make. He cautioned Trustee Bennett that there were potential problems associated with participating.

~~Ms. Nemiroff said that Trustee Bennett's position on the governing board of the County made it more of an institutional conflict of interest than a personal financial one, which was explained in the confidential memorandum.~~

~~Trustee Hintz asked for clarification on the reason being used to force Trustee Bennett and himself out of participating in hearing that item.~~

~~Ms. Nemiroff said that no trustee would be forced out of the Closed Session meeting, which was explained in the memo. The request that Supervisor Bennett consider recusal was a result of his position on the governing board of an entity with which VCERA may end up in litigation. The exposure of litigation came not only from the County of Ventura, but also labor unions and individual employees. An exposure to litigation discussion may include the topic of a potential cross-complaint, which could be against the County. Therefore, in Supervisor Bennett's case, it would be inappropriate for him to be sitting on both Boards, and thus two sides of an issue, when litigation was discussed. Also, because of the issues of discussion in the Closed Session, the conflict had been triggered, which again was explained in the confidential memorandum.~~

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~~Trustee Sedell said it was ultimately Supervisor Bennett's decision to participate in Closed Session or not.~~

~~Chair Goulet said he had consistently stated that his basis for suggesting Trustee Bennett's recusal was by virtue of his position as an officer of the County, not in regard to a financial interest. Further, as Trustee Sedell stated, the Board could not prevent Trustee Bennett from participating in the Closed Session because it was his decision to make. He cautioned Trustee Bennett that there were potential problems associated with participating.~~

After discussion by the Board, the following motion was made:

MOTION: Move Item "VI.A "Closed Session" After Item "VII.A."

Moved by Bennett seconded by Hernandez-Garcia

Vote: Motion carried

Yes: Ashby, Bennett, Hernandez-Garcia, Hintz, Roberts, Sedell

No: Goulet

Absent: -

Abstain: -

MOTION: Approve Agenda as Amended.

Moved by Hintz seconded by Sedell

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hernandez-Garcia, Hintz, Roberts, Sedell

No: -

Absent: -

Abstain: -

III. APPROVAL OF MINUTES

A. Disability Meeting of September 14, 2020.

B. Business Meeting of September 28, 2020.

Ms. Webb said the proposed corrections to the minutes of September 14th were provided in a redline. In the September 28th minutes, the phrase "from the policy" was added for clarification to Mr. Gallagher's statement on Master Page 22.

Chair Goulet ~~said~~ asked whether, because the September 14th minutes were so long, if the public had any comments.

Hearing no public comment, the following motion was made:

MOTION: Approve the Minutes of September 14 and September 28 as Corrected.

Moved by Bennett seconded by Roberts

Vote: Motion carried

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Yes: Ashby, Bennett, Goulet, Hernandez-Garcia, Hintz, Roberts, Sedell

No: -

Absent: -

Abstain: -

IV. RECEIVE AND FILE PENDING DISABILITY APPLICATION STATUS REPORT

After discussion by the Board, the following motion was made:

MOTION: Receive and File.

Moved by Sedell seconded by Ashby

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hernandez-Garcia, Hintz, Roberts, Sedell

No: -

Absent: -

Abstain: -

V. APPLICATIONS FOR DISABILITY RETIREMENT

A. Application for Service-connected Disability Retirement—Marquez, Georgia E.; Case No. 19-030.

1. Employer's Statement of Position, submitted by County of Ventura-Risk Management, in support of the Application for Service-connected Disability Retirement, dated September 3, 2020.
2. Supporting Documentation for Employer's Statement of Position.
3. Application for Service-connected Disability Retirement, filed by Applicant, dated October 8, 2019.
4. Hearing Notice, dated October 5, 2020.

Catherine Laveau was present on behalf of County of Ventura-Risk Management. Josiah Vencel and Nancy Jensen were present on behalf of VCERA. The applicant, Georgia E. Marquez, was also present.

Ms. Laveau and Ms. Marquez made ~~a~~ brief statements.

~~Ms. Marquez made a brief statement.~~

Trustee Hernandez-Garcia asked the reasons given by the applicant for declining the job offers to accommodate her restrictions. Ms. Laveau responded that the applicant was offered a formal reassignment position in the Medical Office Assistant classification. It was explained to her how the disability reassignment process worked; she was given the opportunity to explore the position without accepting the disability reassignment, but ultimately the applicant declined the offered position.

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~~Ms. Laveau responded that the applicant was offered a formal reassignment position in the Medical Office Assistant classification. It was explained to her how the disability reassignment process worked; she was given the opportunity to explore the position without accepting the disability reassignment, but ultimately the applicant declined the offered position.~~

After discussion by the Board, the following motion was made:

MOTION: Approve the Service-connected Disability Retirement for Georgia E. Marquez.

Moved by Sedell seconded by Bennett

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hintz, Roberts, Sedell

No: -

Absent: -

Abstain: Hernandez-Garcia

VI. CLOSED SESSION**A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION**

Significant Exposure to Litigation Pursuant to Paragraph (2) of Subdivision (d) of Section 54956.9: One (1) Case.

VII. OLD BUSINESS

- A. Staff Recommendation to Adopt Resolution to Implement Changes to Compensation Earnable Resolution in Compliance with the California Supreme Court Decision, *Alameda County Sheriff's Assoc. et al., v. Alameda County Employees' Retirement Assn., et al* (2020) 9 Cal.5th 1032 ("Alameda").

RECOMMENDED ACTION: Approve.

1. Staff Letter.
2. Resolution of The Board of Retirement of Ventura County Employees' Retirement Association Regarding *Alameda* Implementation to Compensation Earnable and Pensionable Compensation.
3. Resolution of The Board of Retirement of Ventura County Employees' Retirement Association Regarding *Alameda* Implementation to Compensation Earnable and Pensionable Compensation (Redline).
4. VCERA Fiduciary Counsel's Response to County and Labor Union Objections to Proposed *Alameda* Implementation.
5. Identified Employer Pay Codes Impacted by *Alameda* Decision.

Chair Goulet requested the Board hear public comment on the item before staff's presentation, allowing each speaker up to 15 minutes. Because the County and union attorneys' letters were included in the official record, he asked that speakers limit their comments to information not already received by the Board.

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David Mastagni, Attorney at Law, commented on behalf of the Ventura County Deputy Sheriffs' Association (VCDSA) and the Ventura County Professional Firefighters' Association (VCPFA). He expressed appreciation for the previous week's discussion, and while he appreciated some of the modifications to the Resolution, the changes did not fully address their concerns. He noted the modified Resolution recognized the lawsuit the Deputy Sheriffs' Association had filed in federal court, challenging the County-mandated opt-out fee as an illegal kickback. In regard to flex credit, their view was that it should be treated as a cash payment, pointing to how flex credit was represented on employees' paychecks. With respect to the standby pay, it was not their position that all standby pay should continue to be included; they recognized that ad-hoc standby payments were properly excluded under PEPPRA. However, there were classifications within the Deputy Sheriffs' Association and the Firefighters' Association where working standby was a regular and recurring part of their weekly assignment. He also appreciated that the Board was going to allow employees to challenge the exclusion. He asked that the Board not adopt uniform exclusion of all standby pays, but rather to make a careful analysis of the specific job classifications.

Chair Goulet asked if Mr. Mastagni had reviewed the Identified Employer Pay Code List that staff had provided to the Board. Mr. Mastagni replied that he had not, but this was a reminder of his previous request to delay implementation of the changes to compensation earnable in order to get some clarification on the pay codes in question and on the status of the federal lawsuit. He would like to confer with his clients before the implementation of the changes.

~~Mr. Mastagni replied that he had not, but this was a reminder of his previous request to delay implementation of the changes to compensation earnable in order to get some clarification on the pay codes in question and on the status of the federal lawsuit. He would like to confer with his clients before the implementation of the changes.~~

Chair Goulet asked Ms. Webb if he was correct that the standby and special assignment pay listed as "situational" would have to be worked out on an individual basis. Ms. Webb replied those codes would have to be reviewed individually. Some were listed as "situational" because they were paid on an overtime portion of pay. As the proposed Resolution indicated, staff acknowledged instances where a pay code was used for more than one purpose and thus bore examination. Following that, staff provide a full implementation plan. Mr. Mastagni suggested further engagement with the unions, noting that previous discussion with staff reflected that certain pay codes may not distinguish between situations that were ad hoc as opposed to part of an employee's normal schedule.

~~Ms. Webb replied yes, those codes would have to be reviewed individually. Some were listed as "situational" because they were paid on an overtime portion of pay. As the proposed Resolution indicated, staff acknowledged instances where a pay code was used for more than one purpose and thus bore examination. Following that, staff provide a full implementation plan.~~

~~Mr. Mastagni suggested further engagement with the unions, noting that previous discussion with staff reflected that certain pay codes may not distinguish between situations that were ad hoc as opposed to part of an employee's normal schedule.~~

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Kevin Aguayo, President of the Board of Directors for Ventura County Professional Firefighters' Association (VCPFA), ~~commented. Thatsaid that~~ he did not envy the Board the weight of this decision. There was not enough solid information available to make a good decision, and he strongly suggested the Board delay or table the decision until more information could be gathered. Not only had three separate attorneys asserted that flex allowance should be included in compensation earnable, standby pay needed to be worked out and leave straddling needed to be dealt with, as well. He urged the Board to take their time in making a decision that could cause litigation, which would be irreversible.

Juhyung Harold Lee of Rothner, Segall & Greenstone, ~~speaking-spoke~~ on behalf of the Service Employees' International Union (SEIU) Local 721, ~~made the following public comment~~. He also believed it best to delay a decision on the flexible benefit allowances to allow for more information gathering and further discussions. He noted sharp disagreement about the extent to which *Alameda* compelled immediate action on flexible benefit allowances. The primary issue in *Alameda* was not in-kind benefits; nowhere did *Alameda* mention flexible benefit allowances, so he saw no reason why the Board must act on flexible benefit allowances immediately, even if it had an obligation to comply with *Alameda* regarding the changes enacted by PEPRA.

Nick Odenath, President of the Ventura County Deputy Sheriffs' Association (VCDSA), ~~provided the following public comment. He~~ said the Board's vote would significantly change retirement benefits, not only for VCDSA members but for most County employees, and they had hoped that the vote would be delayed to allow for further conversations and due process. The Board had heard only one interpretation of *Alameda*, an interpretation that would have a negative impact on benefits for a majority of County employees. The decision should be made after much research, discussion, and deliberation. Other experts had a very different interpretation, in particular as it related to the cafeteria allowance. Because of the County's unique cafeteria plan structure, it should be included when determining pension benefits for those hired prior to January 1, 2013. Simply put, the VCERA Board had not been presented with a clear mandate, statute, or court order requiring the removal of these benefits, but rather a single interpretation in an atmosphere of multiple interpretations from legal experts. Therefore, on behalf of the VCDSA members and all legacy County employees, he urged the Board to vote no on the proposed Resolution.

Debbi Pacheco, Labor Representative for the California Nurses Association (CNA), ~~provided the following public comment. The~~ ~~commented that~~ CNA believed that VCERA's fiduciary counsel's interpretation of the *Alameda* case was incorrect. Further, no comparable benefit was being offered to replace what would be removed. Many nurses counted on flex credit as part of their pension, but clearly the issue went beyond CNA because thousands would be impacted. She asked that no decisions be made before allowing time for more research. She requested that the Board vote no regarding the Resolution.

Mike Powers, Chief Executive Officer for the County of Ventura, ~~provided the following public comment. He~~ echoed appreciation for the meeting with VCERA staff and union partners in the previous week and said that progress was made at that meeting, which he hoped to continue. Mr. Powers characterized the issue before the Board today as likely the most significant decision the Board of Retirement would make in decades, as it could significantly reduce the retirement income of thousands of County employees, hitting the lowest-paid employees the hardest. Given the importance and complexity of the issues, the County respectfully requested that the Board defer action on the implementation of the Resolution to provide the County additional time, in

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collaboration with VCERA and their labor partners, to not only consider the legal and factual basis of the *Alameda* Decision, but to consider potential remedies to alleviate cuts to VCERA members' and County employees' pension benefits. Based on the research of the County's legal team and the legal teams on their labor partners, the County genuinely believed that the *Alameda* Decision did not dictate the proposed reduction of the flex credit allowance from pensionable compensation. Rather, the recommendation before the Board concerned matters of judgment that required time for a proper evaluation. In the absence of more time, he requested the Board reject the proposed Resolution. He thanked the Board in advance for considering their comments and recommendations, while also acknowledging the incredible weight of responsibility the Board had on its shoulders.

Emily Gardner, Assistant County Counsel for the County of Ventura, ~~provided the following public comment. She~~ urged the Board not to adopt the Resolution as presented and ~~would provide~~ five reasons not to vote for the Resolution and to delay their actions. One, *Alameda* did not change the law regarding in-kind benefits, which always had been excluded. Two, the County's cafeteria plan was not subject to the exception of the California Rule as articulated in the *Alameda* case, and if the Board wished to exclude the cafeteria allowance, they could not do so until they had worked in collaboration with the County to provide offsetting benefits. Three, with respect to the annual leave cashouts, the Board's existing Resolution already complied with *Alameda*; there would be no need to modify it with regard to straddling or anything else. Four, the *Sanders* litigation, which was the Federal Labor and Standards Act (FLSA) lawsuit referenced and added to the proposed Resolution, did not control what was and was not compensation earnable. It is not an analog for CERL, PEPR or any other retirement law and should not be viewed as a safety net for legacy employees. As Mr. Powers and Mr. Mastagni had indicated, what the addition to the Resolution showed was that the case was still evolving and there should be no rush to action. Five, the Resolution as proposed to the Board ~~did not properly exercise the Board's authority, because the Board could not simply say, "Comply with Alameda," and then delegate to staff what was or was not compensation earnable. The proposed Resolution~~ simply said to comply with the *Alameda* exclusions and the PEPR exclusions, which was not a proper use of the Board's authority. She noted that the Board had already received correspondence from now-retired County Counsel, Leroy Smith, and although she was not going to reread his letter to the Board on the issue, she encouraged the Board to read his letters and give them the weight they were due.

She ~~also wanted to further~~ addressed the cafeteria plan, which seemed to be the biggest issue in terms of impact to most County employees. VCERA staff represented that they could no longer include the cafeteria plan allowance in compensation earnable because the *Alameda* case excludes in-kind benefits from compensation earnable, which she asserted was not at all what the ruling said. The *Alameda* Decision did not state any new law regarding in-kind benefits, and the issue of whether or not in-kind benefits or cafeteria plans could be included was not litigated in the *Alameda* case. It was not up for debate because it was right in the statute and had been that way since 1951. It was the law in 1989 when the Board adopted their original resolution that included cafeteria allowances in compensation earnable, as well as in 2008 when that resolution was amended for compensation earnable for Legacy members and opted to continue including the cafeteria plan. That was even the law after the *In Re Retirement* case was decided in 2003. Therefore, the Board had always concluded the cafeteria plan was not an in-kind benefit, and nothing in the *Alameda* Decision suggested otherwise. So, now 17 years after the *In Re Retirement* case and 31 years after the Board resolved to include the cafeteria plan allowance, the argument that the Board was suddenly mandated to exclude those benefits based on a case that did not even

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litigate that issue made no sense. The rationale given about the disapproval of a footnote in another case did not say what it was purported to say. Overruling the footnote in the *Guelfi* case did not transform any holdings from any prior cases. ~~The County's cafeteria plan had been included in compensation earnable for 31 years, and there was nothing that the Alameda Decision did to change that.~~ Even if the Board concluded that *Alameda* compelled exclusion of the cafeteria allowance from compensation earnable, it could not do so without replacing those vested benefits with offsetting comparable benefits, and there had been no effort to collaborate with the County to provide such offsetting benefits. While the Board's fiduciary counsel advised that the California Rule did not require them to, again that was not what the *Alameda* Decision said. The County recognized that the VCERA Board could not provide those offsetting benefits on their own, which also meant that the Board could not impair those rights unilaterally. The County was always ready to collaborate with the Retirement Board to explore alternatives that could be implemented.

Ms. Gardner said that in regard to the draft Resolution, the Board did not have a fiduciary duty to adopt the Resolution because it was an improper delegation of authority. The Resolution should state what was compensation earnable and what was not. The proposed Resolution before the Board did not have the specificity needed to be a proper exercise of the Board's authority.

She questioned the modification to the draft Resolution related to the outcome of the *Sanders* litigation, which had to do with whether the flex credit must be included in the regular rate of pay for overtime purposes or whether the employees were entitled to the entire flex credit as cash if they did not purchase health benefits. None of the analyses in *Sanders* was related to compensation earnable under CERL, and none of the applicable definitions would be the same. If the County of Ventura prevailed in the *Sanders* litigation, it would not mean that flex credit was an in-kind benefit, because it had a different statutory scheme with a different legal analysis. The Resolution did not account for what would happen if the County prevailed in the case but merely on what would happen if the County lost the case; it put undue emphasis on *Sanders*.

In regard to leave straddling, before the existing Resolution, the Board had already complied with PEPRA with respect to annual leave cashouts. Former County Counsel, Leroy Smith, outlined an example in his correspondence to the Board as to why straddling was not a problem.

In summary, she asked that the Board consider that there were legal interpretations in addition to that set forth in staff materials, and the Board should ask themselves if the proposed Resolution applied the law without violating the rights of vested Legacy employees. If there were any doubts, they should defer action.

Trustee Bennett asked Ms. Gardner to speak to the statement in Ms. Dunning's letter where she stated that former County Counsel Leroy Smith's assertion that the issue of whether insurance payments made by employers were in-kind benefits had "never been litigated" was incorrect, or whether Ms. Gardner could clarify Mr. Smith's response to that issue. Ms. Gardner replied that in the referenced cases, the Court was not analyzing whether the County of Ventura's cafeteria plan was an in-kind benefit. The court in the *In Re Retirement* case was analyzing the programs before it, and as previously noted, the County has a unique cafeteria plan allowance. Thus, to say that another county's cafeteria plan allowance was an in-kind benefit certainly did not mean that the County of Ventura's cafeteria plan was. The Court in the *In Re Retirement* case in 2003 held that the Retirement Board and employer were not required to include cafeteria plan allowances in compensation earnable, not that they were allowed to; there was a distinction. *Alameda* did not

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transform a case decided in 2003 by changing the facts of the law to now say that they were not allowed to include flexible benefit plans as compensation earnable. That was just not the way the law worked, because there was still room for the specific factual circumstances of the County's plan.

~~Ms. Gardner replied that in the referenced cases, the Court was not analyzing whether the County of Ventura's cafeteria plan was an in-kind benefit. The court in the *In Re Retirement* case was analyzing the programs before it, and as previously noted, the County has a unique cafeteria plan allowance. Thus, to say that another county's cafeteria plan allowance was an in-kind benefit certainly did not mean that the County of Ventura's cafeteria plan was. The Court in the *In Re Retirement* case in 2003 held that the Retirement Board and employer were not required to include cafeteria plan allowances in compensation earnable, not that they were allowed to; there was a distinction. *Alameda* did not transform a case decided in 2003 by changing the facts of the law to now say that they were not allowed to include flexible benefit plans as compensation earnable. That was just not the way the law worked, because there was still room for the specific factual circumstances of the County's plan.~~

Chair Goulet remarked that he was concerned with the County's repeated statements that the Board was considering not including flex benefits, when the actual proposal before the Board was a Resolution to exclude only the portion of flex benefit that could not be received in cash, with the remainder to be pensionable. However, in all of Mr. Smith's letters and conversation, he referred to an exclusion of flex benefits, which was not before the Board.

Mariaelena Miller of the Specialized Peace Officers' Association of Ventura County (SPOAVC) ~~provided the following public comment. As expressed by other union representatives, she~~ urged the Board to take their time, to take a look at the facts, the law, and opinions of the other attorneys in the County before they took drastic measures to reduce the income for their members.

Ms. Doreen Salz ~~provided the following public comment~~ testified. ~~She~~ she had retired, effective July 31, 2020. In the months prior to retirement, she had been working with VCERA staff and had not been advised or warned that if she had retired just two days earlier, she would have been exempt from a benefit reduction. She gladly would have retired earlier. She said she was a single mother, so her ~~retirement~~ pension was critical in supporting herself and her three grown sons, all of whom have Autism Spectrum Disorder. She asked the Board to take her statement into consideration in their determinations and to remember the human cost involved.

Danny Carrillo, Regional Director for SEIU Local 721, ~~provided the following public comment. He wanted to echo~~ the previous comments given by his labor brothers and sisters, County Counsel, and Mr. Powers. They stood united and supported the effort to delay action on the Resolution. He believed that more collaboration and discussion would get them where they needed to be on the issue.

Chair Goulet said the Board had received online messages from representatives of VCPPOA and ACSCOA, also supporting a delay, and the Board had also received a message from Blair Brim of Operating Engineers' Local 501, stating their agreement with the other unions and County representatives. He related that James Baroni had withdrawn his request to make public comment in the interest of time, but that his sentiments had been expressed by others.

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~~Chair Goulet said the Board had also received a message from Blair Brim of Operating Engineers' Local 501, stating their agreement with the other unions and County representatives.~~

Susanna Macias-Robles ~~provided the following public comment.~~ She said that she had been working for the County since 1988 and ~~kindly~~ urged the Board to kindly delay taking action on the Resolution.

Ryan Teruzie ~~provided the following public comment. The concerns presented were quite significant, and he~~ urged the Board to vote no on the Resolution or, at the very least, delay until a solid interpretation became available.

Maria Lafitte ~~provided the following public comment.~~ She said that she had been working for the County of Ventura since 1989. She urged the Board to vote no on the Resolution to allow for more discussion and to learn more about the *Alameda* Decision. She also believed that the California Supreme Court ruling was being misinterpreted by the VCERA administration, and she stood in solidarity with the other County employees.

Ms. Webb informed the Board that Ms. Lafitte was the last request for formal public comment, but staff had also received several additional emails urging the Board to vote no. She said they would be placed in Board Books in the Diligent system for the Board to read.

Chair Goulet said that he would prefer that Ms. Dunning made her presentation to the Board before Ms. Webb's.

Ms. Dunning ~~suggested that she walk the Board through the proposed Resolution, but she would begin~~ began by addressing some of the previous comments and responses. As previously discussed, the unanimous Supreme Court decision in *Alameda* was a very important one. The primary consideration was whether the PEPRA amendment that the legislature enacted on January 1, 2013, was constitutional, notwithstanding prior resolutions or settlement agreements that parties entered into that were contrary to what PEPRA had said. In their substantive and thoughtful analysis, the Court concluded that the statutes must be applied, notwithstanding the strength of the California Rule that applied typically to statutory retirement benefit changes. The Supreme Court did not speak superficially, nor pontificate on matters that were not before it. What it did was respond to very substantive arguments made to it, that once a Board took discretionary action to include in compensation earnable a particular a pay item, ~~the argument went that~~ it had no discretion to later exclude it. This was the *Guelfi* footnote argument that was the basis for the 1st District Court of Appeal in the *In Re Retirement* cases that said that certain in-kind benefits that employees may did not receive in cash, may, but need not be included in pension retirement calculations. The California Supreme Court flatly rejected that argument and said that if a benefit could was not be received in cash by a member, then it was an in-kind benefit and may not be included in compensation—and therefore may not be included in compensation earnable. That became, and was, a very important aspect of, the Supreme Court's statement because it says that there were limits on County Retirement Boards' discretion to include in compensation earnable that which was not compensation. Interestingly, the County of Ventura and VCERA, through the office of the County Counsel, were litigants in the *In Re Retirement* cases; the quotation in her public letter of about Judge Pollack's ruling in that case related to VCERA and County of Ventura specifically. Payments made on behalf of members that members may not receive in cash are in-kind benefits.

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VCERA had previously continued to permit those items to be included in compensation earnable because of the “need not” language in the *In Re Retirement* cases. Now, the *Alameda* Court has said that those non-cash payments may not be included, and it was very important to note that in most of the County retirement systems across ~~that the~~ state, if a member did not receive a premium payment in cash, it was not included in compensation earnable. Moreover, there were other systems where, even if there was an ability to convert an in-kind benefit into cash, they were still not included. That was upheld as permissible and lawful in the *MAPE v. MarinCERA* case. However, what ~~was is~~ in the proposed Resolution before the Board was a much more inclusive interpretation of compensation earnable, as it stated ~~that~~ the only portion of flexible benefits to be excluded from calculation of retirement allowances of members who retire on or after the Supreme Court issued their decision was that which may not under any circumstances be received by the member in cash.

She noted that Today today, the Board had heard concessions that in-kind benefits were not includable. After all, at this point, no attorney in California law could believe that in-kind benefits were includable as a matter of law. So, the question becomes: What is an in-kind benefit for VCERA? What staff had prudently proposed was that the Board consider the maximum amount that a member could receive in cash to be pensionable, with only the mandatory minimum least costly option required to purchase insurance or ~~to pay~~ the opt-out fee not eligible to be received in cash ~~to be~~ non-pensionable. So, as Chair Goulet noted before, this was not a wholesale exclusion, but simply ~~that the mandatory~~ minimum ~~that was a~~ non-cash benefit to the member may and not pensionable be included.

She said there was indeed some important progress made at the meeting last week on the topic of the *Sanders* litigation, because as Mr. Mastagni pointed out, the point that the unions were making in that case was that the opt-out fee that the County required employees to pay ~~upon opting out~~ if when not purchasing insurance was, in their words, an “illegal kickback.” In her words, the question was: Was it, in fact, a ~~cashable~~ benefit that members should be, and should have been, able to receive in cash? If that was the conclusion of the federal court, then in fact all of the ~~cash flex benefit allowances~~ was cashable. Therefore, the proposal in the Resolution today was a form of postponing the final resolution on that topic to the extent that members would not suddenly be returned all of their contributions on what, at this point, appears to be a non-cashable benefit, but rather VCERA would wait for an acceptable order determining that it was, in fact, an all-cash benefit that people may receive ~~in cash~~ without that opt-out fee.

In the interim, as the Board considered the urgings to delay, now that the Board ~~knew~~ knows that in-kind benefits ~~were are~~ not permitted to be included in retirement allowance calculations, it would be inappropriate for the Board to continue calculating retirement benefits with such benefits included. The ~~revised proposed proposed~~ Resolution had struck that careful balance, which was to not allow the perpetuation of the erroneous instruction interpretation of the applicable statute while also recognizing there were some moving parts and pending litigation. If the unions were not to win their litigation against the County, then ~~contributions on the amount that was paid to retirees going forward that would not have~~ that minimum non-cash component included would be returned to them with interest.

Ms. Dunning further emphasized, acknowledging other comments, that when PEPRA was adopted by the legislature in effective January 2013, the VCERA Board did not apply its new exclusions because the Board was concerned about the very argument the unions and others were making

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now. This concern was about vested rights and prior practice, and the concern was not unwarranted in the sense that there was very rigorous litigation that occurred over the subsequent seven years. But as a result of all of that litigation, the Supreme Court said no; in fact, CERL boards had a mandatory obligation to apply the statute as written, which was why she thought that in a careful listening of Mr. Mastagni's comments, they would hear that as an officer of the Court he was not suggesting that the Board include standby pay in retirement calculations because the Supreme Court had said that they may not. Rather, he was saying that the Board should not include those payments that for standby during were paid in the normal working hours of their regular occurring recurring normal working hour schedule.

There had been no rush to judgment by VCERA, since the Supreme Court ~~gave its decision~~ was filed on July 30, and VCERA's sister systems throughout the state were already applying the decision. Further, it was important that VCERA's Administrator have the authority of the Board because she already had the weight of the law to apply the decision. As noted, various important statements in the Resolution mitigated harm to members in as lawful a way as permissible for the various assumptions referenced.

Ms. Dunning then walked the Board through the proposed Resolution, (01:50:45) with the first paragraph noting the authority of CERL and PEPRA, under which the plan document operates. The second paragraph notes that the Board has already adopted a resolution which interpreted the pensionable compensation provisions and to whom those provisions apply, which was those members who joined VCERA as new members on or after January 1, 2013. The third paragraph is an important one in terms of the context because it recites that which the Supreme Court had also focused on, which was that in ~~the that~~ prior resolution, the Board reserved its right to change a particular determination based on applicable law at the time, and that was exactly what the Supreme Court said must happen at the local county retirement board. The next clause defines provisions of the Government Code that applied to Legacy members on the one hand or PEPRA members on the other. The clause after that defines the term "PEPRA Exclusions," which were the exclusions provided for under the new definition of compensation earnable that was in section 31461. The office of County Counsel spoke to the Board regarding the focus of those exclusions on closing loopholes and preventing artificial inflation of retirement benefits, which was a primary goal of those PEPRA Exclusions, as articulated by the legislature and the Supreme Court. The next paragraph recites what the *Alameda* Decision said with respect to the PEPRA Exclusions, and that was that those amendments were constitutional and that CERL retirement boards were not contractually bound by settlement agreements, resolutions, including the 1989 resolution, or other similar actions, from implementing those amendments. This paragraph also notes that the PEPRA exclusions were focusing on the payments that were not permitted to be in compensation earnable under new subdivisions (b)2, 3, and 4 of Government Code section 31461. It is also referring to Government Code section 7522.34, which applied to payments received by a member for additional services rendered outside of their normal working hours, whether paid in a lump sum or otherwise. That was the section that was analyzed in connection with the exclusion of standby and on-call pay items. The first full paragraph on the second page of the Resolution describes what is called "Alameda Exclusions." These were the items previously mentioned that related to the Supreme Court's disapproval of *Guelfi* footnote 6 and the notion expressed in that footnote and a number of cases that followed the *Guelfi* case, that certain pay items, while not mandatorily included, may nonetheless be included. That was an argument put forth to the Supreme Court as a basis to require retirement boards to continue to include those items; the Supreme Court went out of its way

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to reject that notion by disapproving *Guelfi* footnote 6. Those intimately involved in the case ~~knew~~ know there was heavy briefing on that topic ~~when~~ before the Court issued its unanimous decision.

Trustee Bennett left at 10:56 a.m. and returned at 10:59 a.m.

~~Trustee Bennett returned at 10:59 a.m.~~

Ms. Dunning said the last two paragraphs of the Resolution were simply noting that which was an incontrovertible statement of law, which is that the Board determines that the *Alameda* Decision and applicable law require it to change its determination of certain pay codes for either compensation earnable, pensionable compensation, or both. This was incontrovertible because the Board had delayed already. The Board had not applied the PEPRA Exclusions to compensation earnable at the time of the amendments and, instead, had delayed implementation pending the outcome of litigation. As fiduciaries, they were to apply PEPRA and its statutory exclusions, and they were also now subject to the *Alameda* Decision and its mandates. As for the Resolution itself, numbered paragraph 2 identifies to whom these PEPRA Exclusions apply and as to what period. One might take the position that the PEPRA Exclusions not only apply to everyone who retired on or after January 1, 2013, but also to the last seven years of overpayments they received, but this was not the position the Resolution takes. Instead, the Resolution acknowledges that the Supreme Court said the law must be applied to those who retired on or after ~~its~~ PEPRA's effective date, which was January 1, 2013, but applies it on a go-forward basis to the retirement allowances paid by VCERA for the first time after that decision came down, which was the August 31, 2020 payroll. This was the most lawful and limited application of the *Alameda* Decision to VCERA's membership. Paragraph 3 deals with the Alameda Exclusions. The first sentence says that the Board will comply with Alameda's directives; they are directives regarding the Board's lack of authority to include Alameda Exclusions in compensation and compensation earnable. She quoted both in her letter and response to County Counsel's remarks and her PowerPoint the specific language that the Supreme Court used in order to explain the lack of authority of a retirement board to include items ~~that in~~ "compensation" and "compensation earnable" ~~do that are~~ not permitted to be included. The next two paragraphs of the Resolution say, to the extent in contravention of *Alameda*, VCERA impermissibly included amounts members may not receive in cash and that were not compensation under Government Code section 31460 in the calculation of benefits payments ~~that members may not receive in cash and that were not compensation under Government Code section 31460~~; such payments amounts must be excluded. This would include all portions of flex credit that may not be provided to employees in cash under participating employers' rules applicable during the pertinent time period; those were in-kind benefits as described in the *In Re Retirement* cases. The assumption here was that the Board would exclude only the portion of the flex credit that may not be provided to members in cash. Again, ~~that this~~ was a very limited application of this exclusion in that, in most CERL systems, all flex benefits were excluded if they were not received in cash by a member; ~~in in~~ some systems, even ~~that which was flex credits that were~~ received in cash was excluded. So, the Board ~~was is~~ not limited by this Resolution to limiting the inclusion of flexible credit to that which was actually received in cash; rather, it is a-an able to receivable-receive standard. That also is an application of the law that arguably could apply to all of the members who had retired ~~in that because~~ the statute had not changed. In order to recognize that this is potentially a very big change in pensionability rules, the Resolution applied it simply to those who retired on or after the date the Supreme Court stated the rule, disapproved *Guelfi* footnote 6, and stated that if it is an in-kind benefit ~~that~~ it may not be included. The clause in paragraph 3, beginning with, "Provided however," is new language added following the meeting with the unions and their

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counsels and the County and its counsel last week. As noted previously, VCERA learned of pending litigation in the *Sanders v. County of Ventura* case where the plaintiffs are challenging the legality of the County's mandatory "opt-out" fees. In light of that litigation, the Resolution proposes that the implementation of the exclusion of the non-cash portion of the flex credit be dealt with as set forth in paragraphs 6 and 9. Paragraph 4 is another very important recognition of the difficulty to VCERA's members that arose as a result of the PEPRA amendments to CERL, which were no longer new law, as it was effective in 2013, and the more recent *Alameda* Decision, which stated those amendments must be applied. This provision says, with respect to overpayments that occurred before August 31, 2020 payroll, VCERA was not planning to recoup those amounts from retirees unless the IRS directs it as a condition in order to maintain VCERA's tax qualification. ~~This is something where~~ A retirement boards could take the position that if they overpaid benefits and therefore they must recoup them. But in light of all the various considerations involved here, the Resolution proposed not to do that at this time unless the IRS at a later time directed the Board to do so, or the action was challenged and a court ordered the Board to recoup. In paragraph 5, since January 1, 2013, the Board has not only been overpaying benefits to its members but also collecting contributions on PEPRA Exclusion items, such as standby and on-call pay. What the Resolution says is that the Board would return those overpaid contributions to the retirees to the extent they were in active ~~member~~ service on or after January 1, 2013, ~~which would have been during~~ the period of time when those contributions should not have been taken because the PEPRA Exclusions were in force, ~~and, s~~Secondly, to the extent that they were dealing with a ~~retired retiree member~~ who had not already received the benefit of those contributions by virtue of having been overpaid. This was another important governance directive from the Board in the Resolution. Paragraph 6 is one of the two referenced earlier relating to the *Sanders* case. This provision says that return of contributions on the non-cash portion of flex credit would be subject to a final determination in *Sanders* or another determination acceptable to the VCERA Board. This provision takes into account the possibility that the opt-out fees could be determined lawful; contrary to the County Counsel's statement that there is no recognition in the Resolution that the County could prevail in the *Sanders* case, ~~this was in fact just that~~. Therefore, if the County were to win and the determination was that the opt-out fee was lawful, then the conclusion would be that those amounts or the mandatory minimum insurance coverage that was discussed in paragraph 9 are in-kind benefits because they could not be received in cash directly by the member under any circumstance, ~~which is~~ the definition of an in-kind benefit. The In Re Retirement cases said you ~~could may~~ exclude from calculation of retirement allowances any payments that were not received in cash, but that was not what the *Alameda* Decision ~~was sayingsaid~~. Rather, it ~~was sayingsaid~~ that retirement boards may not include in compensation earnable that which could not have been received in cash, regardless of a person's individual choice of their insurance coverage. If the County were to win the *Sanders* case, then VCERA would also return all active and deferred members' contributions made on those in-kind benefits (from flex credits) that constitute Alameda Exclusions. This Alameda Exclusion would not be applied to those who retired before the *Alameda* Decision on July 30, 2020. Paragraph 7 states that VCERA shall make a corrective distribution, which may include interest, to active and deferred members for employee contributions reported and/or associated with PEPRA Exclusions while in active service from January 1, 2013, through the date of implementation of the corrective distributions. The next paragraph turns to a different topic that had come up in public comment, which was a little surprising because the Supreme Court specifically describes "straddling" in its decision. The Supreme Court noted that ~~the definition of~~ the types of leave cashouts that were permitted, notwithstanding the PEPRA Exclusions, only includes that which was earned and ~~cashed out~~cashable in each 12-month period during the final average compensation period, regardless of when reported or paid. In fact, there had been pending litigation

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over the provision in Contra Costa County ~~that challenged that~~ challenging the Board for their limitation of leave cashouts in precisely the way that ~~was is~~ proposed in the Resolution. That litigation is likely over as a result of the Supreme Court's conclusion in the *Alameda* case; ~~there~~ There was is no legal basis for an officer of the court to pursue any litigation that ~~sought seeks~~ to include more in retirement calculations than ~~that which~~ what may be cashed out each 12 months of a one- or three-year ~~measuring measurement~~ period. It was not the law that those that had the good fortune of having a one-year final average compensation period somehow had a right to enhance their retirement benefits with two cashouts in a year in an amount that a person with a three-year final average compensation period may not cash out each year. It was simply not the law, and that was what the Supreme Court had said. Paragraph 9 describes the legal basis for using a "cashable" rather than "cashed-out only" application of the rule to determine what was an in-kind benefit for purposes of implementing the Alameda Exclusion. This was not a mandate, because as she had noted, *In Re Retirement* cases had already said, since 2003, that payments on behalf of members that they did not receive in cash need not be included in compensation earnable. For the County or any union to have taken solace in that conclusion and to have thought that created a vested right was folly. It was not a vested right, because vested rights were created by statute, and ever since the litigation in 2003, to which VCERA was a party, the Court had made clear that there was no vested right to have anything that was not received in cash during the final measuring period included in retirement allowance calculations. To the extent that the parties in labor negotiations thought that it was the law, they were misinformed. Notwithstanding that, this paragraph says the Board is going to bend over backwards to apply the rule so that it was a "cashable", not "cashed" analysis. So, for clarification with respect to corrective actions regarding the Alameda Exclusions, which was the return of contributions, collection of future contributions, and determination of compensation earnable for a members who retires on or after July 30, 2020, VCERA would assume that the member maximized their benefit that could be received in cash directly by the member. It was not mandatory for the Board to do that, but it was a concession in recognition of the history of the plan, where it had been included in the past, and it was a way to recognize the unfairness that appeared to arise from making the change now and, therefore, making the change in the way that had the most limited impact, in fairness to the members. Further, as provided in paragraph 3 and 6, VCERA would defer the return of contributions related to the Alameda exclusion until an opt-out fee legality determination. It is as important that VCERA not overpay retirees going forward as it is that they not return contributions to members that VCERA would later have to recoup from them. It is a fiduciary task that they have, to refund the correct amount of contributions and not to refund contributions where there was a pending piece of litigation over whether that pay item was a cashable one or not. The statement in the paragraph that says what would happen if the County lost the *Sanders* lawsuit and the unions prevailed explains that if the *Sanders v. County* case determined that the opt-out fee were not lawful, then there would be no return of contributions that are warranted for individuals to whom the County applies the conclusion in the *Sanders* case. If the County concedes that those opt-out fees were unlawful, then the issue was over because VCERA would have already determined that they were cashable and therefore, it was all pensionable. So, the issue fell much more into the hands of the County, in terms of what it had permitted people to receive in cash or not, during the applicable periods. In the Resolution, the Board would simply be applying the legal standards that applied to members, which was the compensation earnable and compensation definitions. The County Counsel office noted that FLSA rules did not dictate pensionability, but the *Sanders* litigation will impact what members could receive unrestricted in cash. If they were required to pay it back to the County or for an insurance premium, it would be an in-kind benefit because they could not receive it in cash. Paragraph 10 also recognizes the difficult situation for members, since there had been a

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statute in effect on January 1, 2013, that had not been applied by VCERA to exclude items from compensation earnable that should have been excluded. Therefore, it notes how an unfunded liability would be addressed because of that, so that VCERA would not need to have any lawsuits to recoup the money back from retirees. Paragraph 11 states that staff was to provide pay codes to the Board as soon as practicable to ratify exclusions from compensation earnable and pensionable compensation in compliance with Alameda and communicate to participating employers that member contributions are no longer to be taken on such pay codes, which as she noted, was a separate action by the Board.

Trustee Bennett left at 11:19 a.m. and returned at 11:59 a.m., before the Board left for break.

Paragraph 12, addresses the availability of an administrative appeal, which was a topic that Mr. Mastagni referenced in his comments and something that was certainly implicit Ms. Dunning believed in what had been previously presented, which has now been made explicit in the Resolution. This was, to the extent that a certain member, group of members, a union on behalf of members, or even a participating employer disagreed with VCERA's determination as to whether a particular pay code was for services rendered during normal working hours of a member's classification or grade, that disagreement was something that could go through an administrative appeal process for a factual determination. Paragraph 13 says to inform VCERA members of the foregoing actions through appropriate means, and provide them with an opportunity to appeal, and paragraph 14 notes that the Resolution supersedes any previous resolutions for employer pay codes of employee compensation relating to compensation earnable and pensionable compensation, to the extent they were inconsistent with the foregoing directives. In closing, she said that she would be happy to take questions or comments.

~~Chair Goulet suggested the Board take a break before questions or comments regarding Ms. Dunning's presentation.~~

~~Trustee Bennett returned at 11:59 a.m., before the Board left for break.~~

The Board took a break at 11:21 a.m. and returned from break at 11:33 a.m.

~~The Board returned from break at 11:33 a.m.~~

Chair Goulet, Trustee Sedell, and Trustee Bennett asked clarifying questions about the issue of leave straddling, the application of "12-month period" and the calculation of the maximum allowable given the requirement in many labor agreements that 80 hours of leave be used prior to redeeming accrued leave, which Ms. Dunning addressed.

Chair Goulet also asked whether refunds to reciprocal members would be required. Ms. Dunning explained that a reciprocal member was a deferred member if they previously were a member of VCERA, but now worked for another retirement system, for purposes of the Resolution terminology. However, if he was speaking about someone who previously worked at another retirement system and was now a member of VCERA, the only thing that mattered in terms of the contribution return

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was the timeframe when they were at VCERA, for VCERA's purposes. Chair Goulet said that VCERA paid retirement benefits to those members based on their higher salary, but they never made contributions on that higher salary to VCERA. Trustee Sedell suggested it would work both ways then for a VCERA member who left and became a member of another retirement system. Ms. Nemiroff replied that when an employee was hired by the County and earned a higher salary here, their prior retirement system paid benefits based on the number of years in the prior system, but at the higher salary. That was the whole idea behind reciprocity, which was a statutory requirement.

~~Ms. Dunning explained that a reciprocal member was a deferred member if they previously were a member of VCERA, but now worked for another retirement system, for purposes of the Resolution terminology. However, if he was speaking about someone who previously worked at another retirement system and was now a member of VCERA, the only thing that mattered in terms of the contribution return was the timeframe when they were at VCERA, for VCERA's purposes.~~

~~Chair Goulet said that VCERA paid those members based on that higher salary, but they never made contributions on that higher salary to VCERA.~~

~~Trustee Sedell suggested it would work both ways then for a VCERA member who left and became a member of another retirement system.~~

~~Ms. Nemiroff replied yes, that when an employee was hired by the County and earned a higher salary here, their prior retirement system paid benefits based on the number of years in the prior system, but at the higher salary. That was the whole idea behind reciprocity, which was a statutory requirement.~~

Mr. Bennett asked, if VCERA had overpaid someone and needed to get that money back, were they allowed to recoup the money by decreasing the amount to be received in the retirement allowance going forward until the amount were recovered. Ms. Webb replied it was a method that VCERA could use to recoup overpayments over a period of time from the member's stream of payments going forward. Chair Goulet asked for confirmation that VCERA was not planning to recoup from retirees who retired before July 30, 2020. Ms. Dunning replied it was the in the revised Resolution unless the Internal Revenue Service or a court demanded otherwise.

~~Ms. Webb replied yes, that it was a method that VCERA could use to recoup overpayments over a period of time from the member's stream of payments going forward.~~

~~Chair Goulet asked for confirmation that VCERA was not planning to recoup from retirees who retired before July 30, 2020.~~

~~Ms. Dunning replied yes, that it was in fact the proposal in the Resolution unless the Internal Revenue Service or a court demanded otherwise.~~

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Trustee Hintz asked if this opened VCERA up to possible litigation by a taxpayer's organization, because they could argue that VCERA was making unlawful gifts of public funds by not pursuing individuals who owed VCERA money. Ms. Dunning replied that it was an argument that could be made in litigation, but her response would be that the Board made a judgment call based on fiduciary considerations and potentially a cost benefit analysis. In terms of what could be recouped from a member, in the context of going back a long period of time, there could be challenges to the Board in doing that; therefore, it was a judgment call. Chair Goulet noted a provision in the revised proposed Resolution that those individuals would not receive a return of contributions either unless their overpaid of contributions exceeded the overpayment of benefits. Ms. Dunning replied that Chair Goulet was correct.

~~Ms. Dunning replied that it was an argument that could be made in litigation, but her response would be that the Board made a judgment call based on fiduciary considerations and potentially a cost benefit analysis. In terms of what could be recouped from a member, in the context of going back a long period of time, there could be challenges to the Board in doing that; therefore, it was a judgment call.~~

~~Chair Goulet noted a provision in the proposed Resolution that those individuals would not receive a return of contributions either unless their overpaid of contributions exceeded the overpayment of benefits.~~

~~Ms. Dunning replied that Chair Goulet was correct.~~

Ms. Webb ~~began her remarks, providing provided~~ background to the events preceding the Alameda decision. In their implementation of PEPRA after January of 2013, some of the other CERL systems began excluding certain pay items from compensation earnable and they were subsequently sued for it. More than seven years later, the Alameda ruling was issued on July 30, 2020, and was a unanimous decision ~~written by the Chief Justice~~ essentially saying that those systems were correct in excluding the pay items. Further, the exclusions specified were constitutional, and even if settlement agreements to include those items existed, CERL boards had no authority to enter into agreements promising anything not constitutional and not within their power to promise.

The pay items in dispute in the Alameda decision were for pay for services outside of working hours, such as standby pay, on-call pay, and termination pay. Because Ventura County uses such pay items, as do other plans, staff ~~was had been~~ monitoring the case. ~~Certainly, s~~Staff and others were surprised that the Court also spoke to in-kind benefits, such as health insurance premiums and other third-party payments not received in cash. In Ventura, the portion of flex credit not permitted to be received by employees in cash fell into that category. Before the ruling, VCERA believed it had the discretion to include the full amount of flex credit, but after the ruling, staff and VCERA counsels agree only the amount paid to the member in cash may be included in compensation earnable.

Like VCERA, since the July 30th ruling, other CERL Systems had been conferring with their respective counsels and proposing implementation resolutions and plans. One listening today might conclude that everyone across the state was arguing about the proper interpretation of the Alameda

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decision. However, VCERA's CERL colleagues report nowhere near the degree of controversy and argument being seen in Ventura. They noted that staff Staff was not proposing wholesale exclusions, and in acknowledgment that the use of some of the indicated pay codes could be situational, VCERA staff would need cooperation from the County to initiate pay code distinctions. In addition, both staff and VCERA counsels were recommending that any portion of flex credit which may be received in cash be included in compensation earnable, and that only the portion restricted or not payable in cash be excluded. It was unfortunate that employees were not permitted to receive the entire amount of flex credit in cash, even if they were to opt out of medical coverage altogether. The County-mandated opt out fee charged against the flex credit allowance was large enough to consume most of the flex credit allowance. Were that fee not mandated, VCERA staff would be recommending that the entire flex credit amount be included in compensation earnable.

Ms. Webb said that while staff and counsels' interpretation was unpopular as evidenced by the public comment, their role was to follow the law and administer the Plan accordingly. When the Supreme Court issued a new ruling, staff did not have the luxury of implementing only the easy parts. In terms of timing and the proposed delays, VCERA had been in an administrative limbo since July 30th. As Administrator, her hands were tied in issuing benefits and estimates because compensation earnable was a figure and calculation used by staff every day in those calculations. Given that the ruling was now law, further delay put VCERA at risk of paying illegal benefits.

Ms. Webb said that staff and counsels truly understood the impact of the recommendation, and while she had agonized over it and VCERA staff and counsels did not relish proposing the Resolution, it was their duty to do so. As Administrator, she was charged with complying with the law in administering the Plan, and therefore she recommended adoption of the proposed Resolution.

Trustee Hintz said the Supreme Court decision was clear and unanimous and he did not think that the constitutional issues in it were likely to incite the interest of the State Supreme Court, making a change in the decision unlikely. However, he believed it to be wrongly decided, and unnecessarily retroactive without warning, clearly impairing contracts long in existence, and going much further than it needed to go.

Trustee Roberts asked, referencing paragraph 7 of the proposed Resolution regarding refunds to legacy members, what happened to the contributions paid on flex credit before 2013.

Ms. Dunning replied that paragraph 7 applied only to PEPRA exclusions as of January 1, 2013, which was additional payment ef-for services rendered outside of normal working hours and excess leave cashouts. What Trustee Roberts was referring to was the in-kind benefit portion of flex credit, which was an Alameda exclusion. The Resolution provided that if the County were to win the *Sanders* litigation, or there was otherwise another determination that the opt-out fee was lawful, then the contributions they paid on the portion they were not permitted to receive in cash would be returned for a person's entire career.

Ms. Webb said that staff had reviewed rate information going back to 1989, in an effort to calculate the maximum cash-back scenario for each member for each year.

Trustee Bennett said no other county had the same unique combination that Ventura had with the opt-out fee and other things. Therefore, he agreed with Mr. Mastagni's statement about getting it

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right before implementation, and the Board should ask themselves if they have the issue right. He recognized it was VCERA's decision alone, but that did not mean that VCERA should take action in an atmosphere where transparency was questioned. He believed the solution was for the Board to seek a Declaratory Judgement on the matter and do it in as much of a collaborative manner as possible. He submitted for consideration that the Board not adopt the proposed Resolution immediately.

Trustee Bennett moved that VCERA work to obtain declaratory relief on the issue, to the extent possible, collaboratively with the unions and other interested parties. He also wanted to point out that the unions were the direct representatives of the members who were the beneficiaries of the Plan and the County was only secondary to them in the situation. An ad-hoc committee had already had one meeting with the unions and other stakeholders, and he would offer that significant change in the Resolution had taken place as a result of that one meeting. Perhaps other things would happen if they allowed for more conversations with the unions to the extent that they were willing to cooperate.

Chair Goulet said that the Board could not just go before the Court and ask which interpretation was correct. He asked Ms. Dunning whether the Board needed to take some kind of action in order to get declaratory relief ~~so~~ in order for the Court to validate what was done or to decide if the action was wrong.

Ms. Dunning said there needed to be a case for controversy, and it could not be solely a request for an answer on what the Alameda Decision meant for VCERA as the Court would not rule on that request alone. However, the Board had a proposed Resolution they could adopt, and then seek declaratory relief because obviously there was controversy that the courts could solve. Chair Goulet suggested the Board could adopt the Resolution with language delaying implementation, pending declaratory relief.

~~Chair Goulet suggested the Board could adopt the Resolution with language delaying implementation, pending declaratory relief.~~

Ms. Dunning replied such an approach was akin to imposing a temporary restraining order on oneself, which while feasible, VCERA may then face the precise situation three other CERA systems faced in the case that led to the Alameda Decision. For a period of time, they were not able to implement ~~the Alameda Decision~~PEPRA because there was a stay order they had agreed to, which meant that there were a great number of corrections to be ~~done-made~~ relating to payments made during that one-year period. The way courts often viewed such situations was that when it was an issue of money, it could be fixed on a prospective basis and retroactively. Therefore, it was reasonable to adopt the Resolution as proposed and then seek declaratory relief, the nuances of which should probably be worked out in Closed Session. The Court then would have something to resolve, rather than the Board imposing a stay on itself; otherwise, VCERA would be digging a deeper hole for itself if exclusion were correct. Conversely, if exclusion was incorrect, the Plan would simply be paying members more money in the future.

Trustee Roberts asked if there was a way to extricate the flex credit issue and adopt the rest of the Resolution that seemed to be clearer and that there was more of a consensus on between the staff, unions, and counsels. Ms. Dunning said they could reserve action on the flex credit and adopt the

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rest of the Resolution, but for clarification, she noted that the current draft delayed implementation on the flex benefit in terms of the return of contributions, and the only impact it would have on a go-forward basis would be to discontinue members from receiving the flex credit portion that was not cashable included in their future retirement allowances. For people currently retiring, the Board would not continue to include it under the proposed Resolution pending further court resolution if they sought declaratory relief.

~~Ms. Dunning said they could reserve action on the flex credit and adopt the rest of the Resolution, but for clarification, she noted that the current draft delayed implementation on the flex benefit in terms of the return of contributions, and the only impact it would have on a go-forward basis would be to discontinue members from receiving the flex credit portion that was not cashable included in their future retirement allowances. For people currently retiring, the Board would not continue to include it under the proposed Resolution pending further court resolutions if they sought declaratory relief.~~

Trustee Sedell observed ~~that~~ if that were the case, the Board would not have a controversy regarding flex credit upon which to seek declaratory relief. Ms. Dunning said that was correct because they needed a case for controversy, and removing the flex credit item would remove that issue of controversy.

~~Ms. Dunning said that was correct because they needed a case for controversy, and removing the flex credit item would remove that issue of controversy.~~

Trustee Sedell asked if there was something that could be adopted that did not go as far as the proposed Resolution, but that would still constitute a dispute upon which to seek declaratory relief. Ms. Dunning replied that she believed that the proposed Resolution parsed the various aspects of the issue carefully, so her recommendation remained unchanged. She wished to address the Board in Closed Session regarding potential litigation that should be considered by the Board.

~~Ms. Dunning replied that she believed that the proposed Resolution parsed the various aspects of the issue carefully, so her recommendation remained unchanged. She wished to address the Board in Closed Session regarding potential litigation that should be considered by the Board.~~

Trustee Bennett said he would like to modify his original motion to direct VCERA's counsel and staff to return to the Board after meeting with the unions to see if they agree to seek declaratory relief. Trustee Sedell asked what kind of time frame should be put on that motion. Trustee Bennett estimated a couple of months.

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~~Trustee Bennett estimated a couple of months.~~

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Trustee Sedell said that based on fiduciary counsel's advice, he understood VCERA needed to take some action to show its intent is compliance. Ms. Dunning said staff should not be retiring members with PEPPRA exclusions included in their retirement allowance. While she did not disagree that there could be a way to seek additional guidance from another court on the flexible benefit topic, in the meantime, she urged them to implement the law on the terms outlined in the Resolution.

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Trustee Bennett then asked what VCERA had been doing so far. Ms. Webb said the first action following the ruling was to contact members who had filed a retirement application, and though staff could not tell members what the Board would do, they were informed their previous estimates to be incorrect as a result of Alameda. The longer the uncertainty went on, the more difficult it was to administer the Plan because VCERA staff had to know which pay items to include or exclude in calculations. While some members retired despite later potential reductions and recoupment, most members wanted certainty before retiring as to whether there would be a change to their benefits after retirement. Presently, members were requesting multiple calculations based on possible outcomes. Further delay would compound these issues, which had been mounting since July 30th.

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Trustee Bennett asked what VCERA had been including in the retirement benefits of those retiring after the Alameda ruling. Ms. Webb replied that for those members, flex credit continued to be included in absence of an implementation resolution, despite awareness that future corrections were likely. Further, the longer any improper inclusion continued, the more subsequent recoupment of benefits could be necessary. Trustee Bennett thought that the current inclination from the Board was to continue paying members at the current level, but alerting that that an adjustment could be coming. Ms. Webb submitted that in terms of future action, it generally was preferable to pay retirees than to collect or recoup funds. Trustee Bennett said that staff had been doing what he believed that the Board directed.

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~~Ms. Webb replied that for those members, flex credit continued to be included in absence of an implementation resolution, despite awareness that future corrections were likely. Further, the longer any improper inclusion continued, the more subsequent recoupment of benefits could be necessary.~~

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~~Ms. Webb submitted that in terms of future action, it generally was preferable to pay retirees than to collect or recoup funds.~~

~~Trustee Bennett said that staff had been doing what he believed that the Board directed.~~

Ms. Webb said that given the substantial list of impacted pay codes, staff was already in the position of analyzing compensation of retirees back to 2013 to manually extract them, which was a difficult undertaking. If the PEPRA exclusions alone were done initially, and later the Alameda exclusions were added, that process would have to be done a second time.

Ms. Dunning noted sources of a risk that arose from the proposed delay, and suggested the Board did not want to be in a position where it was willfully not complying with the law that applied to them.

Trustee Sedell said that while he respected that counsel's job was to keep clients out of trouble, occasionally the Board needed to ask how they could implement with the least risk and to get to where Trustee Bennett had proposed.

~~Trustee Sedell said that while he respected that counsel's job was to keep clients out of trouble, occasionally the Board needed to ask how they could implement with the least risk and to get to where Trustee Bennett had proposed.~~

Ms. Dunning said VCERA should stop paying retirement allowances that include the mandatory exclusions, and provide people with administrative appeal rights while working proactively with the County and other participating employers and union groups to the extent there was an issue with pay codes falling inside or outside of the exclusions. Regarding flex credit, a strong lesson from the Alameda decision was, that which is not cashable to a member may not be included in retirement allowance calculations. It was best for the Board to stop any perpetuation of the erroneous construction of statutes. While in light of all these disputes, she supported a judicial resolution to assist in resolving the dispute, being that the least risky action from a compliance perspective was to comply with Alameda.

Trustee Sedell suggested VCERA continue to allow the members to receive the regular amounts of retirement allowances until the issue was decided, while acknowledging they may have to return a portion of that allowance.

~~Ms. Dunning recommended going the other direction and not potentially overpaying members pending resolution of the issue. VCERA could always pay retirees the money if they got the interpretation wrong.~~

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Trustee Bennett suggested directing staff to draft a new Resolution that excluded flex credit, while adopting the other exclusions. This would show progress, and at the same time, allow the board to come up with a potential strategy to pursue declaratory relief as quickly as possible. Again, it would show that they were acting, and something regarding the flex credit could be adopted later and relatively quickly.

Trustee Roberts said an issue was whether to pay benefits now or to withhold them and possibly pay them later. Were he retiring, he would prefer the Board limited or withheld the flex credit amount, knowing that he could receive more in the future. Trustee Hernandez-Garcia said given the current economic times, she believed retirees would prefer to have the amounts included now and recouped at a later time if necessary.

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Ms. Dunning said the typical fiduciary response ~~there~~ was to not overpay members or to suggest somehow that they had a right to the overpayment when the Board was on notice that it could be an incorrect application, and as Trustee Roberts said, the Board could always return any underpaid amount to members with interest.

Trustee Sedell asked if recoupment would be done over time, as opposed to a lump sum. Ms. Dunning replied that while she was not the Board's tax counsel, she understood there was strong guidance on correcting as soon as possible, which was another consideration the Board should consider.

~~Ms. Dunning replied that while she was not the Board's tax counsel, she understood there was strong guidance on correcting as soon as possible, which was another consideration the Board should consider. Trustee Sedell said he was seeking a way for the Board to move forward in the least impactful way for the members that also protected the Board.~~

~~Trustee Sedell said he was seeking a way for the Board to move forward in the least impactful way for the members that also protected the Board.~~

Ms. Dunning replied that the proposed Resolution did a great deal in that respect, to the extent that it was coupled with some sort of collaborative approach. In regard to the *Sanders* case point, language in the Resolution did not completely rely on the case, noting paragraph six said, "*subject to a final court interpretation or other determination*", which was intended to recognize that it might be through declaratory relief that the issue would be resolved.

Ms. Webb said her main concern was for those who were newly retired or in the process of retiring because some might not have the luxury of waiting for the ultimate outcome. Trustee Bennett said that he could appreciate that, but that staff could not make a change to members' retirement calculation until the Resolution was passed, but he had not heard the Board say that they were convinced of Ms. Dunning's interpretation regarding flex credit. He suggested a way to craft a new resolution to receive declaratory relief fairly quickly was to direct staff to return with a resolution that

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did not include the flex credit allowance item, and to work with the unions collaboratively to get declaratory relief as soon as possible.

~~Trustee Bennett said that he could appreciate that, but that staff could not make a change to members' retirement calculation until the Resolution was passed, but he had not heard the Board say that they were convinced of Ms. Dunning's interpretation regarding flex credit. He suggested a way to craft a new resolution to receive declaratory relief fairly quickly was to direct staff to return with a resolution that did not include the flex credit allowance item, and to work with the unions collaboratively to get declaratory relief as soon as possible.~~

Chair Goulet believed the discussion had gone on long enough, and the Board needed to decide one way or the other.

Trustee Ashby said he had been silent thus far, noting this was a difficult decision. He was still battling with ~~was~~ the idea that the flex credit could be used to spike pensions. Given that the PEPRA legislation came about to reduce or stop pension spiking, he still did not believe that flex credit was used to spike pensions. He understood the in-kind benefit concept, but the flex benefit was something that employees could receive portions of ~~it~~ in cash if they opted out of insurance, which penalized members who did not have the option to opt out. While he could see the potential for spiking the pension through standby pay and on-call pay, and even the straddling issue, he would personally like to see the flex credit item carved out of the proposed Resolution because as a fiduciary, he believed they had to protect the rights of members. He believed that the law was still ~~a~~ vague regarding flex credit.

Ms. Dunning said to clarify on the Alameda exclusions, the issue was not pension spiking but rather whether a particular benefit was compensation earnable or not. The Alameda exclusions were only addressed in the proposed resolution sections 3, 6 and 9, and if the majority of the Board felt as she understood Trustee Ashby did, they could adopt the Resolution without those sections.

Trustee Ashby then asked if the Board could go into closed session before they decided on the Resolution. Trustee Sedell remarked that the whole Board voted to change the agenda order to vote prior to the Closed Session. Trustee Bennett repeated that the Closed Session meeting was to discuss the potential for litigation and not the Resolution, which they must resolve in Open Session. Trustee Goulet said that they could discuss potential litigation as a result of whether the Board adopted the Resolution or failed to adopt it, because he thought there was potential for litigation in either decision.

~~Trustee Sedell remarked that the whole Board voted to change the agenda order to vote prior to the Closed Session.~~

~~Trustee Bennett repeated that the Closed Session meeting was to discuss the potential for litigation and not the Resolution, which they must resolve in Open Session.~~

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~~Trustee Goulet said that they could discuss potential litigation as a result of whether the Board adopted the Resolution or failed to adopt it, because he thought there was potential for litigation in either decision.~~

Trustee Bennett said that he had been told he should recuse himself from the Closed Session. Ms. Nemiroff said that it was Trustee Bennett's choice whether or not to recuse himself, though the admonition was that he should recuse.

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Trustee Sedell asked if that meant that Trustee Hintz would have to recuse himself. Ms. Nemiroff replied no, only Trustee Bennett was on the governing board of the County of Ventura, which could potentially sue VCERA.

~~Ms. Nemiroff replied no, only Trustee Bennett was on the governing board of the County of Ventura, which could potentially sue VCERA.~~

Trustee Sedell expressed frustration with the prospect of going into Closed Session without the entire Board, and if they were going to discuss the Resolution they might as well do so in Open Session.

Trustee Ashby said he wanted to make sure the Board understood the effect the flex credit issue would have on members, but also that members should understand the trustees' obligation to follow the law as it stood now, which stated the exclusion of in-kind benefits, though noting he had doubts on the interpretation of in-kind benefits pertaining to the County's cafeteria plan.

Trustee Bennett said that the sense of urgency bothered him, and though the Court's determination was issued in July, the Board had no meetings until September. A few additional weeks or months did not seem an inordinate amount of time, even though it would put more pressure on staff. Also, after one meeting, staff and other stakeholders came up with modifications to the proposed Resolution, and perhaps the attorneys could work together to settle the issue quickly for members.

Therefore, he moved the Board approve the proposed resolution except sections 3, 6 and 9, and direct staff to try to work collaboratively with the union representatives and other stakeholders, to the extent possible, to seek declaratory relief as quickly as possible on the flex credit issue. Trustee Sedell said that he would like to second the motion, though he believed a timeline should be included in the motion.

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Trustee Hernandez-Garcia said VCERA should work collaboratively with the unions and other stakeholders to resolve the arguments on the flex credit allowance, even though she realized how difficult it was for staff during this time, as well as for members wanting to retire.

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Trustee Roberts asked how long the PEPR legislation took to implement after it was passed. Ms. Nemiroff replied that some aspects were implemented right away and the issue of what was included in pensionable compensation took some time.

~~Ms. Nemiroff replied that some aspects were implemented right away and the issue of what was included in pensionable compensation took some time.~~

Chair Goulet said that PEPR legislation said that they must exclude these certain pay items from compensation earnable for those who were hired after a certain date. He suggested Board go into Closed Session to deal with potential litigation and possibly declaratory relief, what the strategy was, and how staff could collaborate with the other stakeholders.

Trustee Sedell said that there was a motion and a second on the floor. Chair Goulet said that he did not hear the motion.

~~Chair Goulet said that he did not hear the motion.~~

Trustee Bennett said he felt it best to vote in Open Session prior to Closed Session. He repeated the motion.

Trustee Sedell added that it was in recognition that all of the other points in the proposed Resolution were appropriate, though he did not agree with them.

Trustee Roberts asked Ms. Nemiroff and Ms. Dunning if the Resolution's remaining text was coherent in absence of sections 3, 6 and 9, or if the Resolution needed to be redrafted to exclude the flex credit item.

Ms. Nemiroff believed that Ms. Dunning had answered that by saying the Board could remove sections 3, 6 and 9 which dealt with the flex credit issue, and adopt the remainder of the Resolution. There was only one other benefit that they would delay on, which was the annual leave donation to the Employee Emergency Assistance Program, which may not be received in cash and would thus be treated as an Alameda exclusion. Removing sections 3, 6 and 9 would be delay resolution on the flex credit, but also on the annual leave donation that staff was treating as an Alameda exclusion.

Trustee Bennett said the big benefit to moving forward this way given that Ms. Dunning said that there was a risk to everything, was that VCERA was not even proposing the strictest interpretation of Alameda. Another benefit was to have some collaborative input to show the Board had made a good faith effort. Ms. Webb said she understood that under Trustee Bennett's motion, VCERA would continue to include the flex credit amount for new retirees, and staff would notify them as they retire that the flex credit could potentially be removed in the future and that any overpayments would be recouped. Trustee Bennett replied that was correct.

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~~Ms. Webb said she understood that under Trustee Bennett's motion, VCERA would continue to include the flex credit amount for new retirees, and staff would notify them as they retire that the flex credit could potentially be removed in the future and that any overpayments would be recouped.~~

~~Trustee Bennett replied that was correct.~~

Trustee Sedell asked if the Board had come to an agreement on the "straddling" issue related to annual leave redemptions. Trustee Bennett asked Ms. Dunning if the Board were to adopt the motion whether the topic of straddling would still be a point of discussion, and whether it would be difficult to modify the Resolution afterward. Ms. Dunning replied that straddling was a PEPPRA exclusion and if the issue ended up in court to get declaratory relief, the entire Resolution would be subject to a judicial determination. She recommended that if the Board were to remove anything from the proposed Resolution that they limit that removal to sections 3, 6 and 9. She noted it would not be the end of the story if they filed a declaratory relief action.

~~Trustee Bennett asked Ms. Dunning if the Board were to adopt the motion whether the topic of straddling would still be a point of discussion, and whether it would be difficult to modify the Resolution afterward.~~

~~Ms. Dunning replied that straddling was a PEPPRA exclusion and if the issue ended up in court to get declaratory relief, the entire Resolution would be subject to a judicial determination. She recommended that if the Board were to remove anything from the proposed Resolution that they limit that removal to sections 3, 6 and 9. She noted it would not be the end of the story if they filed a declaratory relief action.~~

Trustee Sedell said that the issue would still be open as to the implementation process, and the declaratory relief could be discussed with the Board.

Ms. Dunning replied that it would not be open for discussion in the sense that the Resolution stated the Board would follow Alameda as stated and not allow inclusion of more than what could be cashed out in each 12-month period. So, it would be addressed in court, but she would not suggest that it be brought back to the Board. Chair Goulet remarked that the straddling issue was not as big of a monetary impact as the in-kind benefit issue, and at the highest level of the County, the difference was 88 hours of credit towards retirement.

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Trustee Bennett said that the biggest issue was certainly the flex credit, but ~~it~~ straddling was a County HR versus VCERA issue, which should get worked out in the implementation, and the Board should keep its focus on flex credit. The benefit of his motion was that everyone was now focused on the main issue and not the ancillary ones, demonstrating the Board was being

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responsible on the items of which they were convinced, but also cautious on the items of which they were not convinced.

Trustee Goulet reminded the Board they needed to adopt something on which they could then seek declaratory relief.

After discussion by the Board, the following motion was made:

MOTION: Adopt Resolution, ~~Excluding-excluding~~ Sections 3, 6 & 9 and ~~Dd~~direct ~~Staff-staff~~ to ~~Work work~~ to ~~Obtain-obtain~~ a Judgement in Declaratory Relief ~~on Flex Credit~~, and to the ~~Extent extent~~ ~~Possiblepossible~~, ~~Work-work~~ ~~Collaboratively collaboratively~~ with the ~~Union-union~~ ~~Representatives representatives~~ and ~~Other-other~~ ~~Stakeholdersstakeholders~~.

Moved by Bennett seconded by Sedell.

Vote: Motion carried

Yes: Ashby, Bennett, Hernandez-Garcia, Roberts, Sedell

No: Goulet, Hintz

Absent: -

Abstain: -

Chair Goulet said that he voted no because he believed the Board had a fiduciary responsibility to follow the advice of fiduciary counsel. Trustee Hintz said that he voted no because it was a two-part motion and he agreed to a continuance, but not to adopt anything in compliance with the Alameda case.

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Chair Goulet suggested a lunch break before closed session. Trustee Sedell asked if the Board still needed a closed session and if there was still the potential for litigation. Ms. Dunning replied that there were topics that the Board should discuss in Closed Session.

~~Trustee Sedell asked if the Board still needed a closed session and if there was still the potential for litigation.~~

~~Ms. Dunning replied that there were topics that the Board should discuss in Closed Session.~~

Trustee Bennett said he would not be attending the closed session, although he was not completely recusing himself from the issue. He repeated he did not believe there was cause for him to be blocked from Closed Session just because he was paid by the County, nor did he agree with any suggestion that criminal litigation could be brought against him. He trusted his colleagues to do a great job in the Closed Session.

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Ms. Dunning said that counsels did not advise individual trustees on how the conflict of interest rules could play out, but they do advise on the general parameters that should be considered, which in this instance was between a Trustee who was on the Retirement Board as well as the Board of Supervisors. As the General Counsel had pointed out, under Government Code 1090, when an institutional conflict existed, one was deemed to be interested in the matter by virtue of one's position on the Board. It did not go away unless there was a remote interest exception that allowed someone to disclose and recuse. She said a source for clarification on the issue might be the Fair Political Practices Commission (FPPC), from whom the Board may find it prudent to get an opinion.

Trustee Bennett said that should VCERA seek guidance on the issue of his recusal, he wished to be informed because he could offer some insights, and it appeared to him that there was some selective choosing of the facts. Far more extensive information had been offered to him in terms of recusal justification. It was a legitimate question based on whether he was a County Supervisor or not, but identifying these other things was an overreach.

Trustee Goulet said that the Board would convene in Closed Session at 2:00 pm.

Trustee Bennett said wanted the record to show that Chair Goulet had said Trustee Bennett would be included in a lawsuit, which would make him personally liable. Chair Goulet replied that he had said "could" rather than "would". Trustee Bennett said either way was an inappropriate use of a lawsuit action to try to influence whether or not someone participated in Closed Session. Trustee Hintz said that he agreed with Trustee Bennett.

~~Chair Goulet replied that he had said "could" rather than "would".~~

~~Trustee Bennett said either way was an inappropriate use of a lawsuit action to try to influence whether or not someone participated in Closed Session.~~

~~Trustee Hintz said that he agreed with Trustee Bennett.~~

Ms. Webb stated the Zoom open session would remain open while the Board was in Closed Session, and when the Board was ready to return to Open Session, staff would provide a 5-minute warning prior to resuming Open Session.

The Board went into Closed Session at 02:00 p.m. and returned to open session at 00:002:42 p.m

~~The Board returned to open session at 00:00 p.m.~~

Trustees Bennett and Hernandez-Garcia did not return to Open Session.

Following Closed Session, Chair Goulet called the resumed meeting to order at 2:42 pm and reported that the Board took no reportable action except that the ad hoc litigation committee would continue discussions as per the collaboration referenced in the earlier motion made in Open Session.

**BOARD OF RETIREMENT
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PAGE 33****VIII. NEW BUSINESS**

A. None.

IX. INFORMATIONAL

None.

X. PUBLIC COMMENT

None.

XI. STAFF COMMENT

Mr. Gallagher informed the Board that Eaton Vance, the parent company for Parametric and Hexavest had just been acquired by Morgan Stanley, and although it was early, neither he nor Mr. Martin saw a negative impact from the acquisition. Also, Sprucegrove was just selected by Vanguard as one of 3 managers to manage a \$9.8 Billion fund, which was good considering the amount of due diligence that Vanguard did on their outsourced managers and Sprucegrove received \$3.4 Billion of that to manage. He updated the Board on preliminary performance numbers for the period ending September 30th, saying the July returns were a positive 3.4%, August was a positive 3.8%, and September was a negative 1.88%. Therefore, it looked like the fund was up 2.8%, and calendar year to date, they were up about 4.9%, -and again on a preliminary basis, the portfolio was valued at \$6.27 Billion.

Ms. Webb said that the because the Alameda Decision Resolution was not adopted as proposed, staff was still in limbo regarding flex credit. She asked the unions and members for their patience and staff would provide the best information possible during this time.

She said that had Board not acted to follow the law, she had been prepared to tender her resignation. Because the Board did adopt a modified resolution, she would not resign but stressed how difficult the current situation was administratively, even for a short period of time, and even more so for an extended period. As Administrator, she believed that following the law was what she was charged to do, and she would continue to work with the Board and Ad-hoc Committee. She again would ask that the members would have patience in the meantime as staff made every effort to move forward compliantly and as quickly and efficiently as possible.

XII. BOARD MEMBER COMMENT

Chair Goulet said that he received a member inquiry whether a notice would be sent out to all of VCERA's members regarding the Board's decision on implementing the Alameda Decision and if so, would it be posted to VCERA's website or sent via mail. Ms. Webb recommended that staff could update the website right away to report the Board's action. As far as messages to individual members, because of the different pay codes involved it would be difficult to manage on a large scale, so she would recommend that VCERA continue to explain as part of calculations and transactions, whether it be a retirement application or retirement estimate. She hoped the unions would assist VCERA in keeping members educated and staff would communicate with members as they asked for information regarding their specific situations. Trustee Goulet said that he thought that it was the right way to proceed in communicating the information to the members.

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~~Ms. Webb recommended that staff could update the website right away to report the Board's action. As far as messages to individual members, because of the different pay codes involved it would be difficult to manage on a large scale, so she would recommend that VCERA continue to explain as part of calculations and transactions, whether it be a retirement application or retirement estimate. She hoped the unions would assist VCERA in keeping members educated and staff would communicate with members as they asked for information regarding their specific situations.~~

~~Trustee Goulet said that he thought that it was the right way to proceed in communicating the information to the members.~~

Ms. Webb noted that Ms. Mariaelena Miller had sent a message asking if VCERA would be notifying the unions when the meeting regarding the flex credit benefits issue.

Chair Goulet said that the Ad hoc Committee would be meeting with the union representatives and the County of Ventura. So, all the stakeholders would receive a meeting invitation. Ms. Webb remarked that staff would be informing the County leadership as well as the various union leaderships once they have set up the meeting, which they hoped to do very soon.

~~Chair Goulet said that the Ad hoc Committee would be meeting with the union representatives and the County of Ventura. So, all the stakeholders would receive a meeting invitation.~~

~~Ms. Webb remarked that staff would be informing the County leadership as well as the various union leaderships once they have set up the meeting, which they hoped to do very soon.~~

Chair Goulet then asked for a motion to adjourn the meeting.

MOTION: Adjourn the Disability Meeting of October 12, 2020.

Moved by Roberts seconded by Ashby

Vote: Motion carried

Yes: Ashby, Goulet, Roberts, Sedell

No: Bennett, Hernandez-Garcia, Hintz

Absent: -

Abstain: -

XIII. ADJOURNMENT

Chair Goulet adjourned the meeting at 3:06 p.m.

Respectfully submitted,



LINDA WEBB, Retirement Administrator

Approved,

ARTHUR GOULET, Chair

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DISABILITY MEETING**

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VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

NOVEMBER 23, 2020

MINUTES

TRUSTEES
PRESENT:

Arthur E. Goulet, Chair, Retiree Member
Mike Sedell, Vice-Chair, Public Member
Steven Hintz, Treasurer-Tax Collector
Steve Bennett, Public Member
Robert Ashby, Safety Employee Member
Jordan Roberts, General Employee Member
Cecilia Hernandez-Garcia, General Employee Member
Tracy Towner, Alternate Safety Employee Member
Will Hoag, Alternate Retiree Member

TRUSTEES
ABSENT:

STAFF
PRESENT:

Linda Webb, Retirement Administrator
Henry Solis, Chief Financial Officer
Julie Stallings, Chief Operations Officer
Dan Gallagher, Chief Investment Officer
Lori Nemiroff, General Counsel
Leah Oliver, Chief Technology Officer
Josiah Vencel, Retirement Benefits Manager
Rebekah Villalobos, Retirement Benefits Manager
Jess Angeles, Communications Officer
Chris Ayala, Program Assistant

PLACE:

In Accordance with the Governor's Executive Order N-29-20 (3), the Members of the Board will be participating via teleconference. Pursuant to Government Code §54954.3, members of the public, to the extent required by law, will have the opportunity to directly address the Board concerning the below mentioned business.

TIME:

9:00 a.m.

**BOARD OF RETIREMENT
BUSINESS MEETING**

NOVEMBER 23, 2020

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ITEM:

I. CALL TO ORDER

Chair Goulet called the Business meeting of November 23, 2020, to order at 9:01 a.m.

II. APPROVAL OF AGENDA

MOTION: Approve.

Moved by Ashby seconded by Roberts

Vote: Motion carried

Yes: Ashby, Goulet, Roberts, Sedell, Towner

No: -

Absent: Bennett, Hernandez-Garcia, Hintz

Abstain: -

III. APPROVAL OF MINUTES

A. Disability Minutes of October 12, 2020.

RECOMMENDED ACTION: Review for Approval on December 14, 2020 Board Meeting.

Ms. Webb explained the minutes for the meeting of October 12th were lengthy, as it was a long meeting with a great deal of public comment and discussion. Therefore, they were presented a full meeting ahead of recommended approval to allow enough time for full review.

After discussion by the Board, the following motion was made:

MOTION: Approve Recommendation to Review the Minutes for Approval on December 14, 2020 Board Meeting.

Moved by Sedell seconded by Goulet

Vote: Motion carried

Yes: Ashby, Goulet, Roberts, Sedell

No: -

Absent: Bennett, Hernandez-Garcia, Hintz

Abstain: Towner

Trustee Towner abstained because he did not attend the October 12th meeting.

Trustee Bennett arrived at 9:07 a.m., after the vote on the item.

B. Business Minutes of October 26, 2020.

RECOMMENDED ACTION: Approve.

MOTION: Approve.

Moved by Sedell seconded by Goulet

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Roberts, Sedell

**BOARD OF RETIREMENT
BUSINESS MEETING**

NOVEMBER 23, 2020

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No: -

Absent: Hernandez-Garcia, Hintz

Abstain: Towner

Trustee Towner abstained because he did not attend the meeting of October 26th.

C. Disability Minutes of November 9, 2020.

RECOMMENDED ACTION: Approve.

MOTION: Approve.

Moved by Roberts seconded by Towner

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Roberts, Sedell, Towner

No: -

Absent: Hernandez-Garcia, Hintz

Abstain: -

IV. CONSENT AGENDA

- A. Approve Regular and Deferred Retirements and Survivors Continuances for the Month of October 2020.
- B. Receive and File Report of Checks Disbursed in October 2020.
- C. Receive and File Budget Summary Admin. – Disability for FY 2020-21 Month Ending October 31, 2020.
- D. Receive and File Budget Summary Combined for FY 2020-21 Month Ending October 31, 2020.
- E. Receive and File Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Statement of Investments, Cash, and Cash Equivalents, and Schedule of Investment Management Fees for the Period Ending October 31, 2020.
- F. Restated June 30, 2020 Financial Statements Due to Proposed Audit Adjustment.
 - 1. Staff Letter by, C.F.O., Henry Solis.

Ms. Webb reminded the Board that there had been an adjustment to the Financial Statements for June 30, 2020 due to the lag of private equity reporting, so CFO Henry Solis was providing the restated statements for that time period.

Chair Goulet noted a date typo in the staff letter. He also asked about a statement in the letter said it would be administratively difficult to keep the books open for such an extended period.

Mr. Solis replied that in order to proceed into the new fiscal year, the previous years books had to be closed and that staff did not know if there would be an audit adjustment every year. Further, as the private equity portfolio matured, it was possible that increases in their value would be offset with decreases as some of the larger funds started to process distributions, which could cause valuations to decrease and staff could revisit the issue with the Board at a later time if they noticed a continuing pattern.

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After discussion by the Board, the following motion was made:

MOTION: Receive and File.

Moved by Ashby seconded by Towner

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Roberts, Sedell, Towner

No: -

Absent: Hernandez-Garcia, Hintz

Abstain: -

V. INVESTMENT MANAGER PRESENTATIONS

- A. Receive Annual Investment Presentation from BlackRock, Jeremy Watt, Grant Dechert, Christian De Leon and Kathryn Donovan.

Jeremy Watt, Grant Dechert, Christian De Leon and Kathryn Donovan reviewed BlackRock's organizational changes, and discussed the firm's investment outlook, portfolio strategy, composition and performance.

Trustee Hernandez-Garcia arrived at 9:18 a.m., during the presentation from BlackRock.

VI. INVESTMENT INFORMATION

NEPC – Allan Martin.

VCERA – Dan Gallagher, Chief Investment Officer.

- A. Preliminary Performance Report Month Ending October 31, 2020.
RECOMMENDED ACTION: Receive and file.
- B. 3rd Quarter Investment Performance Report for Period Ending September 30, 2020.
RECOMMENDED ACTION: Receive and file.

Trustee Hintz arrived at 9:50 a.m., before the vote on the item.

MOTION: Receive and File Preliminary Performance Report Month Ending October 31, 2020 and 3rd Quarter Investment Performance Report for Period Ending September 30, 2020.

Moved by Bennett seconded by Sedell

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hernandez-Garcia, Hintz, Roberts, Sedell

No: -

Absent: -

Abstain: -

VII. OLD BUSINESS

- A. Request for Reconsideration of Previous Board Direction to Staff on Interim Operational Procedures Related to Deferred Sections of Alameda Resolution.
RECOMMENDED ACTION: Approve.

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PAGE 5****1. Letter from Trustee Roberts.**

Chair Goulet acknowledged Assistant County Counsel, Emily Gardner's request to make public comment on the item, and he asked Ms. Gardner if she preferred to make her comments before or after the discussion on items VII.A., VII.B. and VII.C. Ms. Gardner said that she would like to make her comments after the discussion.

Trustee Roberts said he brought the request in response to his discussions with plan members who expressed their strong preference that the Flexible Benefit Allowance (FBA) be excluded from their final retirement compensation. He clarified that his recommendation was to address interim operational processes for members that retired on or after July 30, 2020 until legislation was made at the state level or declaratory relief was resolved in the courts. He believed his request deserved the Board's consideration.

Trustee Sedell asked Trustee Roberts about the labor unions' position on the issue, and from whom he had received the feedback. Trustee Roberts replied that he believed unions were present and could speak on their own behalf, if they desired; however, he had heard from a variety of individuals, and had received additional input after his letter was posted publicly with the agenda materials.

Trustee Sedell expressed concern that many may not be aware of the proposal, relating he had been in contact with an agency who had not been aware of the request until the day before the meeting. He believed more input from stakeholders was needed before Board consideration.

Trustee Bennett noted that Danny Carrillo from SEIU Local 721 had requested to make public on the item. He continued that while Trustee Roberts may have spoken to a few members with higher incomes who did not want the bother of potentially repaying overpayments, the request had not been vetted and could make a significant difference to lower income members. Thus, he strongly rejected the characterization that it was simply a clarification, as well as the proposed motion.

Trustee Hintz remarked that he would oppose a motion to reconsider, and any changes to the Board's previous recommendations.

Danny Carrillo, Regional Director for SEIU Local 721, provided the following public comment. He said SEIU did not support the proposed operational change at this time and preferred to keep the status quo.

Kevin Aguayo, President of the Board of Directors for Ventura County Professional Firefighters' Association (VCPFA), provided the following public comment. He said that Board reconsideration would hamstring the efforts made by the Ad-hoc Litigation Committee and none of their union members had not been given sufficient time to review the request. He believed their members should be allowed to retire with the FBA included in compensation earnable and if there was later a reason to change the retirement allowance, they would prefer to deal with it at that time.

Emily Gardner, Assistant County Counsel for the County of Ventura, provided the following public comment. Ms. Gardner said the County of Ventura opposed any change in regard to the Alameda exclusions. Trustee Roberts had submitted two letters, one related to the Flex Credit and the other with the leave donations, both of which were considered Alameda exclusions. Currently, both of those were included in compensation earnable, according to the Resolution adopted by the Board and she believed it improper to direct staff to calculate retirement benefits in a manner contrary to the Resolution. Therefore, she urged the Board not to reconsider what was decided on at Board's October 12th meeting.

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Ms. Webb clarified that what was being offered for reconsideration was simply the continued payment of the Flex Credit portion for new retirees, post Alameda decision. Staff had heard from retirees who requested the lesser retirement allowance with the knowledge they could receive an increase later, rather than being later being subject repayment plans and recoupments. The population of retired members with flex credit included in their retirement was compounding. Further, while she acknowledged the Board's authority to proceed as it deemed appropriate, including a potential overpayment while legal issues were resolved was contrary to retirement systems' typical approach to such situations. Normally, the standard was to pay only the amount that was absolutely due to the member; if other items were possibly payable, those were paid once any legal questions were resolved. Once the declaratory relief was complete, the members would be made whole.

Trustee Bennett remarked that no one could predict how long declaratory relief would take, and meanwhile low income members would receive hundreds of dollars less per month. These were the members to whom the Board needed to pay attention. If some prefer avoiding a repayment plan, perhaps staff could then identify the difference of the FBA portion to allow those retirees to set money aside in some kind of savings account in the meantime and not touch it, even possibly earn interest. Then, they could repay it if there were a decision unfavorable to their pensions.

Chair Goulet remarked that an easier and quicker solution would be for the County to eliminate the opt-out fee related to the County offered insurance plans, essentially the issue would then go away.

Trustee Bennett said that he wanted to call the question that there was a motion and a second on the floor.

Trustee Towner said he was trying to understand Trustee Bennett's position, which he understood to be that the lower income members needed that FBA retirement allowance portion; however, he also had said that if the members chose, they set the money aside and not touch it. Trustee Towner said they could likely agree that the legislative process and litigation could take more than a year and meanwhile retirees would have compounding overpayments they could be required to repay.

Trustee Bennett replied that lower income retirees may not necessarily set the FBA portion aside, but if there were an unfavorable decision they could have a repayment plan set up later. He believed it was the higher income members who were probably saying that they didn't want to be inconvenienced with a repayment plan and he certainly had not heard that from the lower income members or their union representatives.

Trustee Towner asked Ms. Webb if an active employee could choose to hold off on retirement until the FBA issue was resolved.

Ms. Webb replied yes, that was correct.

Trustee Towner then said that if he were a retired member, he would not have a choice to opt out of having the FBA included in compensation earnable. Therefore, VCERA was basically telling the members they have no choice and were required to have it included in their retirement allowance.

Ms. Webb replied that Trustee Towner was correct, and staff would have to set up repayment plans.

Trustee Bennett repeated that those members could simply set the money aside, and VCERA could communicate the amount of the FBA portion and then members could choose what they wanted to do.

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Ms. Webb explained that staff had been telling retirees who requested the FBA portion be excluded that based on the Board's Resolution, inclusion was required. Staff provided the members with the amount of the difference. This information allowed the member to decide whether to retire as planned or to wait until the legal matter was resolved. Thus far, staff reported that a significant number of members would prefer to have a lower retirement amount that excluded the FBA portion.

Trustee Sedell asked if that was an option that could be provided to members. Could VCERA give them the option to take a lower retirement allowance that excluded the FBA portion in their compensation earnable and could the resolution be amended to provide members that option

Ms. Webb replied that such an approach would create two different classes of retired members, further complicated when members wanted to change their option.

Trustee Bennett then asked what was the interest rate that would be charged to retired members who were overpaid due to the FBA portion.

Ms. Nemiroff replied that the interest rate had not been determined yet.

Ms. Webb added that for refunds of member contributions on flex credit would include interest.

Trustee Bennett reiterated that setting aside the money was an easy matter, but if some needed that money to retire, it would be there.

Trustee Towner pointed out that if VCERA were to pay, for example, \$100 dollars additional through inclusion, retirees would be taxed on that \$100, effectively making the payment less than \$100. Then, if they are required to repay, they would never be whole after taxes.

Trustee Bennett remarked that those members would also have to pay taxes on a lump sum payment if they received a favorable decision in the future, which could also bump them into a higher tax bracket, so either way they would have to pay taxes.

Trustee Hernandez-Garcia asked whether the Board was making a decision on the presumption that they would not receive a favorable decision, or that they would.

Ms. Nemiroff responded that because it pertained to tax issues, she would like to run the question by VCERA's tax counsel, but typically when someone was given the choice to receive income or not, the IRS would view that as a constructed receipt issue. She did not know if allowing an irrevocable election for the following calendar year would prevent the IRS from viewing as a member choice to receive the money. If the Board wanted staff to explore whether VCERA could offer the members such a choice, she would consult with tax counsel regarding the tax consequences.

Trustee Hernandez-Garcia then asked if they could amend the motion to include that choice, pending the outcome of the meeting with the tax counsel.

Ms. Nemiroff replied that she would want to speak to the tax counsel first and then present tax consequences to the Board for them to decide on.

Trustee Ashby if the Board were to leave the matter the way it was, if a decision later was made that the FBA portion be excluded, whether all the members' contributions for the FBA portion to that point would be paid in a lump sum.

Ms. Webb replied yes.

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Trustee Ashby then asked an unfavorable decision was made, could the member apply that lump toward the overpayment of the FBA portion of their retirement benefit.

Ms. Webb replied yes, staff would calculate the amount of the active member contributions made for the flex credit, and also calculate the amount of the overpayments made to them as a retired member and there could be an offset. However, the longer that a retired member received the overpayment, the less likely the refund would cover the amount of overpayment.

Trustee Ashby said that he understood that it would vary from retiree to retiree, as to how long they paid the contribution.

Ms. Webb said yes, it was very individualized, because while some members may have made contributions on FBA for 20 years, others such as a reciprocal member, may have made contributions for only a few years before retiring.

Trustee Towner referenced Trustee Bennett's earlier statement that members who requested the FBA portion be excluded were probably higher income members, and asked staff if that appeared to be the case.

Ms. Webb replied that she had asked that question of the staff receiving the requests from retirees. They had indicated it was actually the lower income members who were asking for FBA to be excluded from their retirement benefit, because they preferred not to rely on a benefit amount that may be reduced later, but rather budget on the lower retirement benefit, and then welcome a subsequent payment and increase if FBA were later deemed as included.

Chair Goulet asked for comment from VCERA's Fiduciary Counsel, Ms. Dunning.

Ms. Dunning clarified one point, in terms return of contributions referenced by Ms. Webb. It was correct that the Board had decided that in the situation of the flex credit, to the extent that the non-cashable portion was deemed to be not pensionable, in the court context in the legislation that the County had proposed was not successful, terms of changing the law on that point; the Board had decided that there would be a refund of contributions on that pay item. That was normally not how a Board would vote when a member's final compensation did not include an item that they received in pay during their employment the contributions would not be refunded on that, even though they wouldn't receive the benefit of those contributions on a 1:1 match. As for the PEPRA exclusions, the Board had decided to refund the members contributions only to the period of January 1, 2013 forward.

Chair Goulet suggested the Board vote on the motion and the ask staff to consult with the tax counsel to see if they could provide an optional payout to retirees and bring back an item to the Board.

Trustee Bennett asked Ms. Webb if it was correct the at the flex credit issue would only go back to July 30, 2020.

Ms. Webb replied yes, but only for new retirees. Because July 30, 2020, was the date that VCERA was put on notice by the California Supreme Court, regarding the Alameda decision, VCERA would not adjust benefits for those who retired previous to that date.

After discussion by the Board, the following motion was made:

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MOTION: Approve Request for Reconsideration of Previous Board Direction to Staff on Interim Operational Procedures Related to Deferred Sections of Alameda Resolution.

Moved by Roberts, seconded by Bennett

Vote: Motion failed

Yes: Roberts

No: Ashby, Bennett, Goulet, Hernandez-Garcia, Hintz, Sedell

Absent: -

Abstain: -

Chair Goulet suggested that staff explore the ramifications with tax counsel of allowing a retiree the option of whether or not to include the FBA, and then report back to the Board to either recommend whether VCERA should allow the option or not.

Ms. Webb said that she would be happy to talk to VCERA's tax counsel and provide a memorandum to the Board for a later meeting, but she did not know how meaningful it would be given the Board's vote to not reconsider the issue.

- B. Reconsideration of Previous Board Direction to Staff on Interim Operational Procedures Related to Deferred Sections of Alameda Resolution.

RECOMMENDED ACTION: Approve.

1. Proposal from Trustee Roberts to Provide Operational Direction to Staff.

- C. Letter Regarding Interim Implementation of Alameda Decision in Conjunction with Board Action on October 12, 2020.

Ms. Webb this item was to inform the Board of staff's efforts to manage the difficult issues and transactions that involved compensation earnable. So, staff had to make decisions in order to provide retirement information and calculations to the members. The provided memorandum was to describe how staff had been handling some of the most common and prominent requests while the legal issues were being resolved. Staff requested that if the Board disagreed with the described approach, to provide alternate direction.

Trustee Bennett said he complimented staff because he believed that they done a pretty good job of dealing with a difficult situation and for coming up with appropriate solutions that were consistent with the Board's directions.

Chair Goulet asked if the agenda item required a motion to received and file it, even though it seemed to be purely informational.

Ms. Webb replied that staff would just note in the minutes that there was no alternate direction given to staff.

Trustee Sedell asked that the minutes reflect that staff was commended on their handling of these difficult circumstances.

Trustee Hintz left the meeting at 10:53 a.m., before the Board took a break.

The Board went to Break on 10:54 a.m.

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The Board returned from Break at 11:06 a.m.

VIII. NEW BUSINESS

- A. Recommendation to Approve PEPRA Annual Compensation Limit.

RECOMMENDED ACTION: Approve.

1. Staff Letter.
2. California Actuarial Advisory Panel PEPRA Pension Compensation Limits for the Calendar Year 2021.

After a brief discussion, the following motion was made.

MOTION: Approve and Adopt the 2021 PEPRA Compensation Limits of \$128,059 and \$153,671 as calculated by the California Actuarial Advisory Panel (CAAP).

Moved by Sedell seconded by Bennett

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hernandez-Garcia, Roberts, Sedell

No: -

Absent: Hintz

Abstain: -

- B. Proposed 2021 Board Calendars for Investment Presentations and Investment Due Diligence.

RECOMMENDED ACTION: Approve.

1. Staff Letter by C.I.O., Dan Gallagher.
2. Proposed 2021 Board Calendar - Investment Presentations.
3. Proposed 2021 Board Calendar - On-Site Due Diligence.

Mr. Gallagher noted a change to the order of the investment presentations in the proposed calendar. Tortoise had been removed and Pimco had been added to the annual investment presentations calendar for 2021.

Chair Goulet asked why Abbott Capital Management was scheduled to make 2 annual presentations in 2021, to which Mr. Gallagher replied that because Abbott Capital was a consultant, they were scheduled to present both their annual investment presentation and the second presentation was to present the annual plan and annual disclosures.

After discussion by the Board, the following motion was made:

MOTION: Approve the Proposed 2021 Calendars for Investment Presentations and Investment On-Site Due Diligence and, Authorize Necessary Expenditures in Accordance with the Board's Adopted Travel Policy and Budget.

Moved by Bennett seconded by Roberts

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hernandez-Garcia, Roberts, Sedell

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No: -

Absent: Hintz

Abstain: -

- C. Authorization for C.I.O., Dan Gallagher To Attend the ILPA Virtual Institute: Private Credit for the Limited Partner.

RECOMMENDED ACTION: Approve.

1. Staff Letter by C.I.O., Dan Gallagher.
2. ILPA Virtual Institute: Private Credit for the Limited Partner Invitation.
3. ILPA Virtual Institute: Private Credit Agenda.

MOTION: Approve.

Moved by Sedell seconded by Ashby

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hernandez-Garcia, Roberts, Sedell

No: -

Absent: Hintz

Abstain: -

IX. INFORMATIONAL

- A. Information Regarding County of Ventura's Advocacy for Legislative Solution in Regard to Inclusion of Flexible Benefit Allowance in Compensation Earnable.
1. Request from County Staff to the Ventura County Board of Supervisors: "Authorization for the County Executive Officer to Advocate to the California State Legislature for Legislation Clarifying that the County's Flexible Benefit Allowance May Continue to Be Included as Pensionable Compensation for the Purposes of Retirement Benefit Calculations for Legacy Members".
 2. Letter from Supervisor Bennett to Board of Supervisors in Support of Clarifying Legislation.
 3. Letter from Chair Goulet.
 4. VCERA Fiduciary Counsel's Response to County and Labor Union Objections to Proposed Alameda Implementation.

Trustee Sedell said that he was concerned with Chair Goulet's letter regarding the County's recent action to seek legislative action on the Flex Benefit issue, indicating he believed Chair Goulet should have brought the item to the Board to discuss instead of providing it in a letter in the Informational section of the agenda. He believed that the County wanted to work collaboratively and that the Board should be thanking the County for taking that action.

Trustee Goulet said that he disagreed with Trustee Sedell and believed that the matter needed to be put forth in writing and that the County had an obligation based on their comments at the October 12th meeting. He noted Trustee Bennett had said at the October 12th meeting that there should be a collaboration between them, and he did not see that the letter sent to the Board of Supervisors to be

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evidence of collaboration, as it contained misrepresentations, misstatements, and proposed legislation involving VCERA without prior consultation.

Trustee Sedell said he believed it was more important to foster collaboration, especially since they believed that the action taken by the County to pursue legislation was a great idea

Chair Goulet replied that he was not confident that it was a great idea. In reference to his letter, beyond his concern about a lack of collaboration, it also had shown that the Board could have assisted with points their proposal did not appear to even consider. He noted the County had made a statement that the flex credit item was not addressed in the Supreme Court's decision, which was patently incorrect.

Trustee Bennett said that when the Chair of a Board sends out a letter, it's typically after it had already been approved by the entire Board. While Chair Goulet could send such a letter as an individual or as a Trustee, he sent it as the Chair of the Board, which implied it was the position of the VCERA Board, which it was not. In reference to Chair Goulet's statement that the County should have come to the VCERA Board beforehand, he recalled the Board to the open meeting of October 12th, in which the Board was told by fiduciary counsel that the Board needed to take action and adopt staff's recommendation to exclude the flex credit to establish the conflict needed to file for declaratory relief. But then, without consultation with the County, there a recommendation to the Board, apparently in the closed session he did not attend, that the Board take action to file the lawsuit without County collaboration, which he saw as a surprising inconsistency.

Chair Goulet said the motion on October 12th included direction to seek declaratory relief, and staff and counsel simply followed that direction.

Trustee Bennett replied, that staff and VCERA's counsel were to do that in collaboration with the County, Unions and other stakeholders and not independent of them.

Chair Goulet noted a subsequent meeting between the ad hoc litigation committee, labor unions and the County in which VCERA had allowed the parties to confirm VCERA had stated the declaratory relief correctly, before action was taken.

Trustee Bennett noted that it was after VCERA had filed a lawsuit, not before.

Chair Goulet replied that VCERA needed to show exactly what it was going to do.

Trustee Bennett said that showing them what VCERA planned to do was different than filing a lawsuit.

Ms. Webb remarked that she had made a brief statement at the Board of Supervisors meeting the previous week, regarding the issue of their legislative action related to the flex credit issue. She had said that VCERA was working hard to implement the mandate from the Supreme Court related to the Alameda decision and had suggested if the County were to seek legislation to have in kind benefits included in members' compensation earnable calculations, that it specifically limit the amount of flex credit to be included in compensation earnable as either the employee only or the employee plus spouse amounts, which would help keep it more universal and help avoid manipulation and spiking, while also avoiding any excess contributions from the County and members.

Trustee Sedell said he had no issues with Ms. Webb working collaboratively with the County and he believed that her approach on that legislative issue was appropriate and his previous comments were not in any way directed toward staff.

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Chair Goulet said regarding Trustee Bennett's remark that signing his letter as Chair implied that the Board approved it, he noted that the letter was addressed to the Board of Retirement and not an outside entity.

Trustee Hernandez-Garcia said she supported Chair Goulet in writing the letter because, as he had pointed out, it was addressed to the Board of Retirement, it reminded the Board and all of the parties of the need to collaborate.

Trustee Towner noted the Board should focus on the end game, which was to get a final decision on the flex credit issue and more importantly, that whatever legislation was presented was correct. He believed all of the parties should agree to that, acknowledge it and move forward.

Chair Goulet said that he agreed with Trustee Towner.

X. PUBLIC COMMENT

None.

XI. STAFF COMMENT

Ms. Webb said that staff would be coming to the Board soon with a request additional staffing resources to continue cohesive service to members, noting the volume of manual calculations and alternate scenarios being provided to members as a result of the Alameda issues.

Trustee Sedell remarked that he believed the Board would give staff full support for the additional resources.

Trustee Hernandez-Garcia thanked Ms. Webb for looking out for staff and ensuring that they were not overburdened given the situation.

Chair Goulet left the meeting at 11:26 a.m., at which time Trustee Sedell presided over the remainder of the meeting.

Mr. Gallagher informed the Board that he and Mr. Martin planned to bring two private credit recommendations to the Board at the next meeting.

XII. BOARD MEMBER COMMENT

Trustee Towner said that he wanted clarity regarding the declaratory relief action, specifically about the need for a conflict to exist in order to request declaratory relief. He wanted to know what the conflict was exactly, given the Board was supposedly working in collaboration with the County and other stakeholders.

Ms. Webb said that Ms. Dunning could provide him with a clear explanation of the conflict regarding declaratory relief, so staff would contact her to request that she provide an explanation of the issue to Trustee Towner.

Trustee Bennett asked for Ms. Dunning to also address what he saw as conflicting information given to trustees in open session at the October 12th meeting. Specifically, that the Board would need to adopt a motion to create the conflict, but when the Board proposed that staff work collaboratively to create the conflict, this was not done. He would appreciate additional explanation on that issue.

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XIII. ADJOURNMENT

The Chair adjourned the meeting at 11:29 a.m.

Respectfully submitted,



LINDA WEBB, Retirement Administrator

Approved,

ARTHUR GOULET, Chair

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
REPORT OF REGULAR AND DEFERRED RETIREMENTS AND SURVIVORS CONTINUANCES

November 2020						
FIRST NAME	LAST NAME	G/S	DATE OF MEMBERSHIP	BENEFIT SERVICE*	DEPARTMENT	EFFECTIVE DATE
REGULAR RETIREMENTS:						
MERCEDES O	ACRES	G	2/22/2009	11.60 *	Child Support Services	10/1/2020
CHARLOTTE ANN	BANKS	G	9/22/1985	35.14	Sheriff's Office	10/2/2020
CLARA ELENA	BARRON	G	9/27/2015	5.05	Health Care Agency	10/16/2020
ANTHONY LAWRENCE	BITER	S	10/29/1989	30.95	Sheriff's Office	10/10/2020
PATRICK JOSEPH	CONNOLLY	S	12/31/1995	24.85	Sheriff's Office	10/2/2020
AMY RUTH	CORIN	G	9/18/2000	10.47	Human Services Agency	10/24/2020
JOAQUIN	DIAZ	S	10/30/1988	31.97	Sheriff's Office	10/18/2020
SHARON Y	EDINGTON	G	6/30/2019	0.81	District Attorney	11/3/2020
MATTHEW RICHARD	GRIEGER	G	4/28/2003	12.01 *	Public Works Agency	11/5/2020
IRMA	HERNANDEZ	G	11/3/1996	10.43	County Clerk Recorder (Deferred)	10/5/2020
JONATHAN PHILIP	HIXSON	S	10/11/2015	5.01	District Attorney	10/17/2020
TODD WAYNE	HOWETH	G	05/13/1990	31.10	Public Defender	10/24/2020
STEPHANIE	HUHN	G	07/11/1999	1.73 *	Health Care Agency (Deferred)	10/16/2015
DONNA L	JONES	G	10/29/1989	13.17 *	Fire Protection District (Deferred)	6/9/2020
VASQUEZ KIMBERLY	KILSBY	G	3/30/1992	7.09 *	Human Services Agency (Deferred)	11/1/2020
CARLOS MICHAEL	MACIAS	S	7/24/1988	35.85	Sheriff's Office	10/27/2020
AURELIA D	MUSNI	G	9/1/1991	29.23	Health Care Agency	10/9/2020
LESLIE A	NICHOLAS	G	2/8/2009	12.07	Human Services Agency	10/18/2020
MARY L	PREECE	G	8/11/1985	35.20	Human Services Agency	10/3/2020
CLAUDIA ACOSTA	REYES	G	7/23/1989	30.31	Human Services Agency	11/18/2020
KIRAN K	SAHOTA	G	1/6/2013	10.13	Health Care Agency	9/12/2020
LEROY	SMITH	G	12/24/1989	30.17	County Counsel	10/10/2020
LUIS ARRIAGA	TOVAR	G	6/30/1997	23.29 *	Health Care Agency	10/10/2020
LYNN M	WATERS	S	5/18/2003	16.18	Probation Agency (Deferred)	10/5/2020
RITCH T	WELLS	G	1/8/1991	3.89 *	Board of Supervisors	10/15/2010
JUDITH A	WESTON	G	4/23/2006	1.23 *	Ventura County Library (Deferred)	7/15/2016
MICHAEL T	WILLS	G	7/11/2010	7.79	Health Care Agency (Deferred)	10/12/2020
SHEILA MARIE	WINTERS	G	2/7/2001	19.68	Health Care Agency	10/19/2020
DEFERRED RETIREMENTS:						
GREGORY J	AGRON	G	12/4/2016	3.75	District Attorney	9/19/2020
ALLISON P	AKROP	G	9/11/2016	3.52	Health Care Agency	7/25/2020
SHELBI R	ALLEN	G	8/3/2014	5.50	Health Care Agency	9/24/2020
GABRIEL	AVILA	S	12/1/2019	0.74	Fire Protection District	9/3/2020
MATTHEW A	BAUMGARDNER	G	10/29/2014	5.60 **	Regional Sanitation District	6/26/2020
NICOLE M	BOCCARSI	G	8/13/2017	2.15	Health Care Agency	9/23/2020
CECILIA G	CASTANEDA	G	6/2/2019	1.23 *	Human Services Agency	9/1/2020
CYRUS M	CASTELLA	G	7/24/2017	3.12 **	Information Technology Services	9/19/2020
IVAN	CHAVEZ	S	2/24/2019	1.51	Fire Protection District	9/4/2020
VICTOR C	ESPINOSA	G	2/11/2007	6.21	Human Services Agency	8/26/2020
NICHOLAS J	GOURLAY	S	5/5/2019	1.30	Fire Protection District	9/3/2020
KENDRA M	GULDAN	G	2/14/2016	4.38	Animal Services	9/5/2020
ANDREW I	HUEY	G	8/10/2008	11.96	Auditor-Controller	9/12/2020
GLEN	INFUSO	G	1/28/2019	1.62	General Services Agency	9/19/2020
ESTHER	KIM	G	5/19/2019	1.32	District Attorney	9/19/2020
PAUL M	LOZANO	G	11/15/2009	9.60	General Services Agency	9/12/2020
ALFONSO J	MARTINEZ	G	11/9/2014	5.35	Superior Court	9/19/2020
SARAH L	MULITAUOPELE	G	8/30/2015	5.01	Human Services Agency	9/7/2020
CHRISTIAN G	MULITAUOPELE	S	7/30/2017	3.09	Probation Agency	9/8/2020
CASSANDRA I	MURPHY	G	9/28/2014	5.82 **	Auditor-Controller	7/25/2020
DAVID A	NEVILLE	G	4/10/2016	4.28 *	Agricultural Commissioner	9/19/2020
CINDY P	QUEZADA	G	1/4/2015	4.36	Human Services Agency	9/1/2020
AHMAD	RAJAE	G	12/24/2000	7.08	Health Care Agency	9/24/2020
SARAH F	ROTT	G	7/12/2020	0.18	Health Care Agency	9/19/2020
LINDSAY F	TOLLER	G	8/8/2010	9.35	Health Care Agency	9/18/2020
LAURA I	ZUBIA	G	3/10/2019	0.97	Superior Court	8/31/2020
SURVIVORS' CONTINUANCES:						
MICHELLE M	AHRENS					
ARLENE	SOTO					
BETTY E	STEPHENS					
* = Excludes reciprocal service or service from any previous retirements ** = Member establishing reciprocity						

Disability & Business Meeting Agenda - IV. CONSENT AGENDA

Date: Monday, November 30, 2020
Time: 11:01AM
User: 104164

Ventura County Retirement Assn

Check Register - Standard

Period: 05-21 As of: 11/30/2020

Page: 1 of 3
Report: 03630.rpt
Company: VCERA

Check Nbr	Check Type	Check Date	Vendor ID Vendor Name	Period To Post Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
Company:			VCERA							
Acct / Sub:	10300		000000							
028771	CK	11/12/2020	ABUCOURTRE VERITEXT	05-21	001594	VO	ADMIN/DISABILIT	11/12/2020	0.00	6,011.20
028772	CK	11/12/2020	ACCESSINFO ACCESS INFORMATION PROTEC	05-21	001583	VO	ADMIN EXP	11/12/2020	0.00	405.46
028773	CK	11/12/2020	BANKOFAMER BUSINESS CARD	05-21	001584	VO	IT/ADMIN	11/12/2020	0.00	1,683.65
028774	CK	11/12/2020	BRENTWOODI BRENTWOOD IT	05-21	001585	VO	IT	11/12/2020	0.00	5,985.00
028775	CK	11/12/2020	BROWARMST BROWN ARMSTRONG	05-21	001586	VO	ADMIN EXP	11/12/2020	0.00	8,180.84
028776	CK	11/12/2020	DIGITALDEP DIGITAL DEPLOYMENT	05-21	001587	VO	IT	11/12/2020	0.00	650.00
028777	CK	11/12/2020	FEDEX FEDEX	05-21	001588	VO	DISABILITY EXP	11/12/2020	0.00	2.16
028778	CK	11/12/2020	FLORESHUMB HUMBERTO FLORES	05-21	001590	VO	DISABILITY EXP	11/12/2020	0.00	7,000.00
028779	CK	11/12/2020	HARRISWATE HARRIS WATER CONDITIONING	05-21	001589	VO	ADMIN EXP	11/12/2020	0.00	58.00
028780	CK	11/12/2020	SPRUCEGROV SPRUCEGROVE INVESTMENT M	05-21	001591	VO	INVESTMENT FEES	11/12/2020	0.00	60,799.09
028781	CK	11/12/2020	STAPLESADV STAPLES	05-21	001592	VO	ADMIN EXP	11/12/2020	0.00	196.23
028782	CK	11/12/2020	THOMSONREU THOMSON REUTERS- WEST	05-21	001593	VO	ADMIN EXP	11/12/2020	0.00	508.25
028783	CK	11/12/2020	VSGHOSTING VSG HOSTING, INC.	05-21	001595	VO	IT	11/12/2020	0.00	67,013.04

Disability & Business Meeting Agenda - IV. CONSENT AGENDA

Date: Monday, November 30, 2020
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Ventura County Retirement Assn

Check Register - Standard

Period: 05-21 As of: 11/30/2020

Page: 2 of 3
Report: 03630.rpt
Company: VCERA

Check Nbr	Check Type	Check Date	Vendor ID Vendor Name	Period To Post Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
028784	CK	11/12/2020	WESTERNASS WESTERN ASSET MANAGEMEN	05-21	001596	VO	INVESTMENT FEES	11/12/2020	0.00	249,319.71
028785	CK	11/19/2020	ABBOTTCAP ABBOTT CAPITAL MANAGEMEN	05-21	001597	VO	INVESTMENT FEES	11/19/2020	0.00	273,879.00
028786	CK	11/19/2020	ADP ADP, LLC	05-21	001598	VO	ADMIN EXP	11/19/2020	0.00	2,725.27
028787	CK	11/19/2020	ATTMOBILIT AT&T MOBILITY	05-21	001599	VO	IT	11/19/2020	0.00	410.08
028788	CK	11/19/2020	COMPUWAVE COMPUWAVE	05-21	001600	VO	IT	11/19/2020	0.00	225.40
028789	CK	11/19/2020	EXPRESSBUS EXPRESS BUSINESS MACHINES	05-21	001601	VO	ADMIN EXP	11/19/2020	0.00	909.73
028790	CK	11/19/2020	FEDEX FEDEX	05-21	001602	VO	DISABILITY EXP	11/19/2020	0.00	13.95
028791	CK	11/19/2020	HANSONBRID HANSON BRIDGETT LLP	05-21	001603	VO	LEGAL FEES	11/19/2020	0.00	4,645.35
028792	CK	11/19/2020	LINEASOLUT LINEA SOLUTIONS	05-21	001604	VO	ADMIN/IT	11/19/2020	0.00	14,654.91
028793	CK	11/19/2020	SHREDITUSA SHRED-IT	05-21	001605	VO	ADMIN EXP	11/19/2020	0.00	128.84
028794	CK	11/24/2020	MEGAPATH FUSION CLOUD COMPANY, LLC	05-21	001606	VO	IT	11/24/2020	0.00	615.40
028795	CK	11/24/2020	MFDAILYCOR M.F. DAILY CORPORATION	05-21	001607	VO	ADMIN EXP	11/24/2020	0.00	21,092.45
028796	CK	11/24/2020	NOSSAMAN NOSSAMAN LLP	05-21	001608	VO	LEGAL FEES	11/24/2020	0.00	16,194.15
028796	CK	11/24/2020	NOSSAMAN NOSSAMAN LLP	05-21	001612	VO	LEGAL FEES	11/24/2020	0.00	67,755.82

Disability & Business Meeting Agenda - IV. CONSENT AGENDA

Date: Monday, November 30, 2020
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Ventura County Retirement Assn

Check Register - Standard

Period: 05-21 As of: 11/30/2020

Page: 3 of 3
Report: 03630.rpt
Company: VCERA

Check Nbr	Check Type	Check Date	Vendor ID Vendor Name	Period To Post Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
Check Total										83,949.97
028797	CK	11/24/2020	PARAMETRIC PARAMETRIC PORTFOLIO ASSO	05-21	001609	VO	INVESTMENT FEES	11/24/2020	0.00	58,353.00
028798	CK	11/24/2020	SEGALCONSU SEGAL CONSULTING	05-21	001613	VO	ACTUARY FEES	11/24/2020	0.00	10,221.00
028799	CK	11/24/2020	STATESTREE STATE STREET BANK AND TRU	05-21	001610	VO	INVESTMENT FEES	11/24/2020	0.00	27,633.33
028800	CK	11/24/2020	TRICOUNTYO TRI COUNTY OFFICE FURNITUR	05-21	001611	VO	ADMIN EXP	11/24/2020	0.00	1,911.65

Check Count: 30

Acct Sub Total: 909,181.96

Check Type	Count	Amount Paid
Regular	30	909,181.96
Hand	0	0.00
Electronic Payment	0	0.00
Void	0	0.00
Stub	0	0.00
Zero	0	0.00
Mask	0	0.00
Total:	30	909,181.96

Company Disc Total 0.00 Company Total 909,181.96

Ventura County Employees' Retirement Association
Budget Summary Fiscal Year 2020 -2021
For the Five Months Ended November 30, 2020 and Year-To-Date - 41.66% of Fiscal Year
Admin - Disability (CAP)

	<i>Adopted 2021 Budget</i>	<i>Adjusted 2021 Budget</i>	<i>November 2020</i>	<i>Expended Fiscal Year to Date</i>	<i>Available Balance</i>	<i>Percent Expended</i>
Salaries and Benefits						
Regular Salary	\$274,600.00	\$274,600.00	\$21,424.39	\$89,429.34	\$185,170.66	32.57%
Supplemental Payments	12,500.00	12,500.00	760.30	3,140.45	9,359.55	25.12%
Vacation Redemption	4,300.00	4,300.00	4,486.93	4,486.93	(186.93)	104.35%
Retirement Contributions	47,000.00	47,000.00	4,270.65	15,514.56	31,485.44	33.01%
OASDI Contribution	20,600.00	20,600.00	1,688.25	6,080.24	14,519.76	29.52%
FICA-Medicare	4,800.00	4,800.00	394.83	1,421.99	3,378.01	29.62%
Medical Insurance	39,500.00	39,500.00	2,882.00	12,409.00	27,091.00	31.42%
Life Insurance	100.00	100.00	9.30	39.64	60.36	39.64%
Unemployment Insurance	100.00	100.00	11.46	47.61	52.39	47.61%
Mgmt Disability Insurance	2,000.00	2,000.00	150.44	635.66	1,364.34	31.78%
Workers Compensation Insurance	7,400.00	7,400.00	733.45	2,618.49	4,781.51	35.39%
401K Plan Contribution	5,000.00	5,000.00	375.97	1,454.46	3,545.54	29.09%
Total Salaries & Benefits	<u>\$417,900.00</u>	<u>\$417,900.00</u>	<u>\$37,187.97</u>	<u>\$137,278.37</u>	<u>\$280,621.63</u>	<u>32.85%</u>
Services & Supplies						
Other Professional Services	78,500.00	78,500.00	3,151.35	10,982.49	67,517.51	13.99%
Hearing Officers	56,000.00	56,000.00	7,000.00	7,000.00	49,000.00	12.50%
Legal	17,300.00	17,300.00	0.00	0.00	17,300.00	0.00%
Postage	500.00	500.00	13.95	86.79	413.21	17.36%
Training/Travel-Staff	1,100.00	1,100.00	0.00	0.00	1,100.00	0.00%
Facilities-Meeting Room Rental	0.00	0.00	0.00	44.00	(44.00)	0.00%
Office Supplies	0.00	0.00	2.16	2.16	(2.16)	0.00%
Total Services & Supplies	<u>\$153,400.00</u>	<u>\$153,400.00</u>	<u>\$10,167.46</u>	<u>\$18,115.44</u>	<u>\$135,284.56</u>	<u>11.81%</u>
Total Sal, Ben, Serv & Supp	<u>\$571,300.00</u>	<u>\$571,300.00</u>	<u>\$47,355.43</u>	<u>\$155,393.81</u>	<u>\$415,906.19</u>	<u>27.20%</u>
Total Current Year	<u>\$571,300.00</u>	<u>\$571,300.00</u>	<u>\$47,355.43</u>	<u>\$155,393.81</u>	<u>\$415,906.19</u>	<u>27.20%</u>

***Ventura County Employees' Retirement Association
Budget Summary Fiscal Year 2020 -2021
For the Five Months Ended November 30, 2020 and Year-To-Date - 41.66% of Fiscal Year
Combined***

	<i>Adopted 2021 Budget</i>	<i>Adjusted 2021 Budget</i>	<i>November 2020</i>	<i>Expended Fiscal Year to Date</i>	<i>Available Balance</i>	<i>Percent Expended</i>
<i>Salaries and Benefits</i>						
Regular Salary	\$3,748,400.00	\$3,748,400.00	\$265,000.40	\$1,274,035.83	\$2,474,364.17	33.99%
Extra-Help/Temporary Services	166,300.00	166,300.00	14,654.91	66,611.04	99,688.96	40.05%
Supplemental Payments	80,100.00	80,100.00	7,068.72	29,794.93	50,305.07	37.20%
Vacation Redemption	166,600.00	166,600.00	6,138.20	102,361.27	64,238.73	61.44%
Retirement Contributions	599,700.00	599,700.00	38,067.32	189,800.62	409,899.38	31.65%
OASDI Contribution	228,500.00	228,500.00	11,403.34	59,087.23	169,412.77	25.86%
FICA-Medicare	63,500.00	63,500.00	4,080.59	20,380.28	43,119.72	32.09%
Medical Insurance	435,200.00	435,200.00	28,920.00	139,014.84	296,185.16	31.94%
Retiree Health Insurance	26,700.00	26,700.00	2,222.94	11,114.70	15,585.30	41.63%
Life Insurance	1,300.00	1,300.00	93.00	446.46	853.54	34.34%
Unemployment Insurance	1,900.00	1,900.00	137.74	653.34	1,246.66	34.39%
Mgmt Disability Insurance	27,800.00	27,800.00	1,643.08	7,900.61	19,899.39	28.42%
Workers Compensation Insurance	101,800.00	101,800.00	7,656.33	670.39	101,129.61	0.66%
401K Plan Contribution	90,400.00	90,400.00	6,381.23	30,256.83	60,143.17	33.47%
Total Salaries & Benefits	\$5,738,200.00	\$5,738,200.00	\$393,467.80	\$1,932,128.37	\$3,806,071.63	33.67%
<i>Services & Supplies</i>						
Board Member Stipend	\$13,200.00	\$13,200.00	\$600.00	\$1,400.00	\$11,800.00	10.61%
Other Professional Services	156,900.00	156,900.00	6,005.46	27,543.38	129,356.62	17.55%
Auditing	101,400.00	101,400.00	8,180.84	37,836.31	63,563.69	37.31%
Hearing Officers	56,000.00	56,000.00	7,000.00	7,000.00	49,000.00	12.50%
Legal	442,300.00	442,300.00	88,595.32	172,024.89	270,275.11	38.89%
Election Services	40,000.00	40,000.00	0.00	8,335.29	31,664.71	20.84%
Actuary-Valuation	63,000.00	63,000.00	0.00	31,500.00	31,500.00	50.00%
Actuary-GASB 67	13,000.00	13,000.00	0.00	0.00	13,000.00	0.00%
Actuary-Assump/Exp	48,000.00	48,000.00	0.00	0.00	48,000.00	0.00%
Actuary-415 Calculation	15,000.00	15,000.00	6,228.00	6,228.00	8,772.00	41.52%
Actuary-Misc Hrly Consult	16,000.00	16,000.00	3,993.00	3,993.00	12,007.00	24.96%
Printing	45,000.00	45,000.00	767.30	10,253.72	34,746.28	22.79%
Postage	68,000.00	68,000.00	140.48	9,309.35	58,690.65	13.69%
Copy Machine	4,000.00	4,000.00	0.00	902.49	3,097.51	22.56%
General Liability	15,800.00	15,800.00	0.00	0.00	15,800.00	0.00%
Fiduciary Liability	86,000.00	86,000.00	0.00	83,609.00	2,391.00	97.22%
Cost Allocation Charges	42,000.00	42,000.00	20,997.00	20,997.00	21,003.00	49.99%
Education Allowance	4,000.00	4,000.00	0.00	0.00	4,000.00	0.00%
Training/Travel-Staff	62,900.00	62,900.00	0.00	9,520.00	53,380.00	15.14%
Training/Travel-Trustee	33,200.00	33,200.00	150.00	1,400.00	31,800.00	4.22%
Travel-Due Diligence-Staff	12,800.00	12,800.00	0.00	0.00	12,800.00	0.00%
Travel-Due Diligence-Trustee	22,600.00	22,600.00	0.00	0.00	22,600.00	0.00%
Mileage-Staff	4,500.00	4,500.00	0.00	0.00	4,500.00	0.00%
Mileage -Trustee	4,500.00	4,500.00	0.00	0.00	4,500.00	0.00%
Mileage-Due Diligence-Staff	700.00	700.00	0.00	0.00	700.00	0.00%
Mileage-Due Diligence-Trustee	700.00	700.00	0.00	0.00	700.00	0.00%
Auto Allowance	6,900.00	6,900.00	575.00	2,875.00	4,025.00	41.67%
Facilities-Meeting Room Rental	0.00	0.00	0.00	44.00	(44.00)	0.00%
Facilities-Security	2,700.00	2,700.00	0.00	225.00	2,475.00	8.33%
Facilities-Maint & Repairs	3,300.00	3,300.00	0.00	785.56	2,514.44	23.80%
Equipment-Maint & Repairs	2,000.00	2,000.00	909.73	909.73	1,090.27	45.49%
General Office Expense	10,400.00	10,400.00	492.48	847.76	9,552.24	8.15%
Books & Publications	9,000.00	9,000.00	518.24	2,640.42	6,359.58	29.34%
Office Supplies	15,000.00	15,000.00	198.39	1,015.67	13,984.33	6.77%
Memberships & Dues	17,900.00	17,900.00	0.00	9,350.00	8,550.00	52.23%
Offsite Storage	5,200.00	5,200.00	405.46	2,048.23	3,151.77	39.39%
Rents/Leases-Structures	258,000.00	258,000.00	21,092.45	105,462.25	152,537.75	40.88%
Non-Capital Furniture	15,800.00	15,800.00	1,911.65	1,911.65	13,888.35	12.10%
Depreciation /Amortization	1,562,700.00	1,562,700.00	129,313.62	676,957.94	885,742.06	43.32%
Total Services & Supplies	\$3,280,400.00	\$3,280,400.00	\$298,074.42	\$1,236,925.64	\$2,043,474.36	37.71%
Total Sal, Ben, Serv & Supp	\$9,018,600.00	\$9,018,600.00	\$691,542.22	\$3,169,054.01	\$5,849,545.99	35.14%

***Ventura County Employees' Retirement Association
Budget Summary Fiscal Year 2020 -2021
For the Five Months Ended November 30, 2020 and Year-To-Date - 41.66% of Fiscal Year
Combined***

	<i>Adopted 2021 Budget</i>	<i>Adjusted 2021 Budget</i>	<i>November 2020</i>	<i>Expended Fiscal Year to Date</i>	<i>Available Balance</i>	<i>Percent Expended</i>
<i>Technology</i>						
Technology Hardware	\$98,000.00	\$98,000.00	\$129.40	\$33,617.55	\$64,382.45	34.30%
Technology Hardware Support	10,000.00	10,000.00	0.00	0.00	10,000.00	0.00%
Technology Software Lic & Maint.	75,400.00	75,400.00	1,174.40	33,762.31	41,637.69	44.78%
Technology Software Suppt & Maint.	41,500.00	41,500.00	0.00	43.75	41,456.25	0.11%
Technology Cloud Services	6,100.00	6,100.00	415.00	1,660.92	4,439.08	27.23%
Technology Website Services	8,900.00	8,900.00	1,049.98	4,049.96	4,850.04	45.51%
Technology Infrastruct Support	186,100.00	186,100.00	9,508.59	37,462.91	148,637.09	20.13%
Technology V3 Software & VSG	747,000.00	747,000.00	67,013.04	334,026.08	412,973.92	44.72%
Technology Data Communication & C	88,000.00	88,000.00	3,155.27	24,794.41	63,205.59	28.18%
Total Technology	<u>\$1,261,000.00</u>	<u>\$1,261,000.00</u>	<u>\$82,445.68</u>	<u>\$469,417.89</u>	<u>\$791,582.11</u>	<u>37.23%</u>
<i>Capital Expenses</i>						
Capitalized Structures	\$0.00	\$0.00	\$0.00	\$12,109.95	(\$12,109.95)	0.00%
Total Capitalized Expenses	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$12,109.95</u>	<u>(\$12,109.95)</u>	<u>0.00%</u>
Contingency	<u>\$845,000.00</u>	<u>\$845,000.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$845,000.00</u>	<u>0.00%</u>
Total Current Year	<u><u>\$11,124,600.00</u></u>	<u><u>\$11,124,600.00</u></u>	<u><u>\$773,987.90</u></u>	<u><u>\$3,650,581.85</u></u>	<u><u>\$7,474,018.15</u></u>	<u><u>32.82%</u></u>



VENTURA COUNTY EMPLOYEES' RETIREMENT

PRESENTED BY:
Stephanie S. Lord, CFA, CIC
Vice President, Relationship Manager



December 14, 2020

www.loomissayles.com | One Financial Center Boston, MA 02111
617 482-2450 | BOSTON CHICAGO DETROIT SAN FRANCISCO LONDON SINGAPORE UTRECHT

presented by:



STEPHANIE S. LORD, CFA, CIC
Vice President, Relationship Manager

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loomis sayles at a glance

Firm Overview

Serving clients with integrity and a global perspective since **1926**



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LONDON • SINGAPORE • UTRECHT

Slide is as of 9/30/2020. The Utrecht office opened on November 1, 2020.

Due to rounding, pie chart total may not equal 100%.

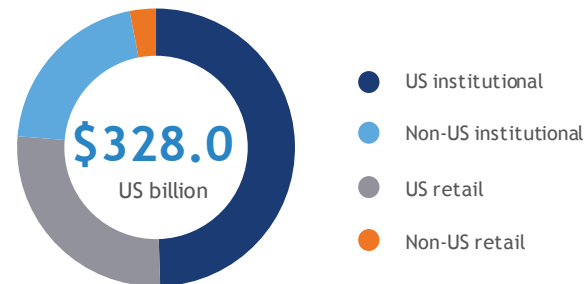
Other includes cash & equivalents and derivatives.

Total AUM includes the assets of both Loomis, Sayles & Co., LP, and Loomis Sayles Trust Company, LLC. (\$30.5 billion for the Loomis Sayles Trust Company).

Loomis Sayles Trust Company is a wholly owned subsidiary of Loomis, Sayles & Company, L.P.



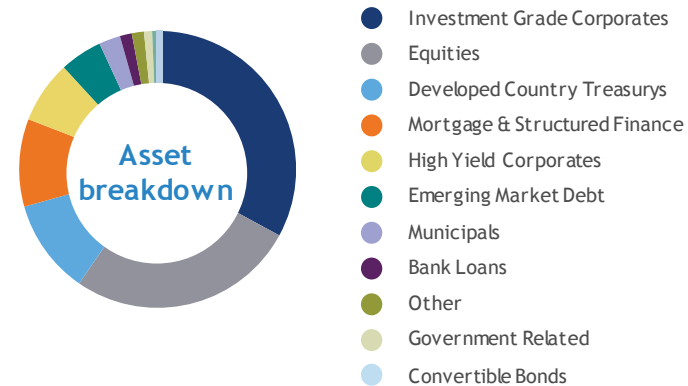
AUM by client base



Investment expertise across asset classes

Fixed income: **\$241.4 B**










Equity: **\$86.7 B**



FO0121
MALR024785
1563458834

foundation for alpha

Firm Overview

CREDIT RESEARCH	EQUITY	MACRO STRATEGIES	MORTGAGE & STRUCTURED FINANCE	QUANTITATIVE RESEARCH & RISK ANALYSIS
<i>Alpha generation through differentiated insights</i>	<i>Driving alpha through independent thinking</i>	<i>Focused insights for investment team impact</i>	<i>Opportunities outside traditional asset classes</i>	<i>Bringing together the art and science of investing</i>
<p>Providing insight and differentiated perspectives across the credit classes, risk spectrum, and capital structure</p> 	<p>Active long-term strategies built on differentiated non-consensus insight</p> 	<p>Tailor-made research and data driven assessments of global macro investment conditions, opportunities and risks</p> 	<p>Uncovering hidden alpha in complex structured markets</p> 	<p>Generating signals that can identify risk patterns and opportunities</p> 
TRADING	ESG	INVESTMENT RISK OVERSIGHT	TECHNOLOGY	BUSINESS INFRASTRUCTURE
<i>Beyond trade execution</i>	<i>Integrate and engage</i>	<i>Ensuring investment teams are meeting client needs & expectations</i>	<i>Translating data into insight</i>	<i>Allowing investors to remain focused on alpha generation</i>
<p>+50 trading professionals integrated within all investment processes every step of the way</p> 	<p>Training and tools for investment teams to assess material ESG factors</p> 	<p>A common foundation underlying all strategies:</p> <ul style="list-style-type: none"> • Sound philosophy • Rigorous, repeatable process • Proprietary research • Disciplined portfolio construction • Integrated risk management 	<p>Tapping the power of our proprietary In2! technology platform, integrating more than 5 billion data points each day</p> 	<p>Legal, compliance, distribution, marketing, relationship management, & client services</p> 

alpha engines

Firm Overview

FIXED INCOME

ALPHA STRATEGIES	BANK LOANS	DISCIPLINED ALPHA	EMERGING MARKET DEBT	EURO CREDIT†	FULL DISCRETION	GLOBAL	MORTGAGE & STRUCTURED FINANCE	MUNICIPAL	RELATIVE RETURN
Credit Asset	Senior Loans	Core	Corporate	Euro IG Credit	Multisector	Global Bond	Agency MBS	Short	Short Duration
Emerging Market Debt Blended	Senior Floating Rate and Fixed Income	Intermediate Corporate	Local Currency	Euro Sustainable IG Credit	Core Plus Full Discretion	Global Credit	Core Securitized	Intermediate	Inter. Duration
World Credit Asset	CLOs	Long Corporate	Short Duration	Euro High Yield	High Yield Full Discretion	Global Debt Unconstrained	IG Securitized Credit (ERISA)	Medium	Core
Multi-Asset Income		Long Gov't Corp	Asia Credit		Global High Yield	Global Disciplined Alpha**	High Yield Securitized Credit	Crossover**	Core Plus
Inflation Protected (TIPS)		Long Credit			US High Yield		Private Debt and Equity		IG Corporate
Systematic Investment Strategies		Global Disciplined Alpha**			High Yield Conservative				IG Inter. Corp
					Strategic Alpha				Long Corporate
									Long Credit
									Long Gov't/Credit
									Custom LDI
\$9.2 B*	\$4.1 B	\$16.6 B	\$3.1 B	-	\$64.9 B	\$34.3 B	\$12.1 B*	\$7.8 B	\$102.3 B

EQUITY

GROWTH EQUITY STRATEGIES	GLOBAL EMERGING MARKETS EQUITY	GLOBAL EQUITY OPPORTUNITIES	SPECIALTY GROWTH STRATEGIES	SMALL CAP VALUE
All Cap Growth	Global Emerging Markets Equity	Global Allocation	Small Cap Growth	Small Cap Value
Global Growth	Global Emerging Markets Equity Long/Short	Global Equity Opportunities	Small/Mid Cap Growth	Small/Mid Cap Core
International Growth			Mid Cap Growth	
Large Cap Growth				
Long/Short Equity				
\$71.6 B	\$30.4 M***	\$7.1 B	\$5.6 B	\$2.3 B

As of 9/30/2020.

*Includes accounts that may also be counted as part of other strategies **Co-managed investment strategy ***Assets include seed money from our parent company.

†The Euro Credit team joined Loomis Sayles on November 1, 2020. Funding is anticipated by year end.

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VCERA - MULTISECTOR FULL DISCRETION

investment team as of March 1, 2021

HIGHLY EXPERIENCED TEAM SUPPORTED BY DEEP FIRM RESOURCES

PRODUCT TEAM	MATT EAGAN, CFA Portfolio Manager		ELAINE STOKES Portfolio Manager		BRIAN KENNEDY Portfolio Manager		DAN FUSS, CFA Sr. Advisor					
	30		33		30		62					
	23		32		26		45					
	PORTFOLIO MANAGER		STRATEGISTS		PRODUCT MANAGEMENT		INVESTMENT ANALYSTS		PORTFOLIO SPECIALISTS			
KEY SUPPORT	Todd Vandam, CFA		Scott Darci, CFA Bryan Hazelton, CFA* Brian Hess		Vishal Patel, CFA Chris Romanelli, CFA Peter Sheehan		Ken Johnson Fred Sweeney, CFA Kristen Doyle		Shong Xiao, CFA		Rigas Gartiganis Boeurn Kan-Crawford Matt Tierney Amy Steede	
	SPECIALTY RESEARCH†		CONVERTIBLES		DISTRESSED/RESTRUCTURING		CUSTOMIZED					
		Rich Crable Mark Ravanesi Olga Tatar, CFA		Greg Jones, CFA Matt Sabourin		Colin Wilson Murphy		Nicole Ranzinger Zachary South Ryan Yackel				
SECTOR TEAMS		US Yield Curve		Global Asset Allocation		Developed Non-US Markets						
		Inv Grade / Global Credit	Mortgage & Structured Finance	US Government	High Yield / Bank Loans	Emerging Markets	Convertibles					
FIRM RESOURCES		Macro Strategies 2 Directors Associate Director Economist Senior Quantitative Analyst Senior Commodities Analyst 2 Senior Research Analysts 3 Senior Research Associates		Credit Research Director 2 Associate Directors Head of Municipal Research Head of Convertibles Research 37 Senior Analysts 12 Analysts 7 Research Senior Associates 7 Research Associates		Mortgage & Structured Finance Head Portfolio Manager 4 Strategists 4 Senior Analysts 1 Research Analyst 2 Research Associates Director, MSF Trading 4 MSF Traders/TAs		Fixed Income Trading 24 Traders/TAs Director, Portfolio Implementation 15 Portfolio Specialists Director, Operational Trading Risk Mgt. Risk Analyst				
		Quant. Research & Risk Analysis Director 2 Associate Directors Director, LDI Solutions Senior Quantitative Analyst 7 Quantitative Analysts		Equity Research 12 Senior Analysts 9 Analysts 3 Research Associates		Sovereign Research 2 Senior Analysts 3 Analysts						

^Full Discretion Strategies managed by this team include: Multisector Full Discretion, Strategic Income, Core Plus Full Discretion, and Investment Grade Fixed Income.

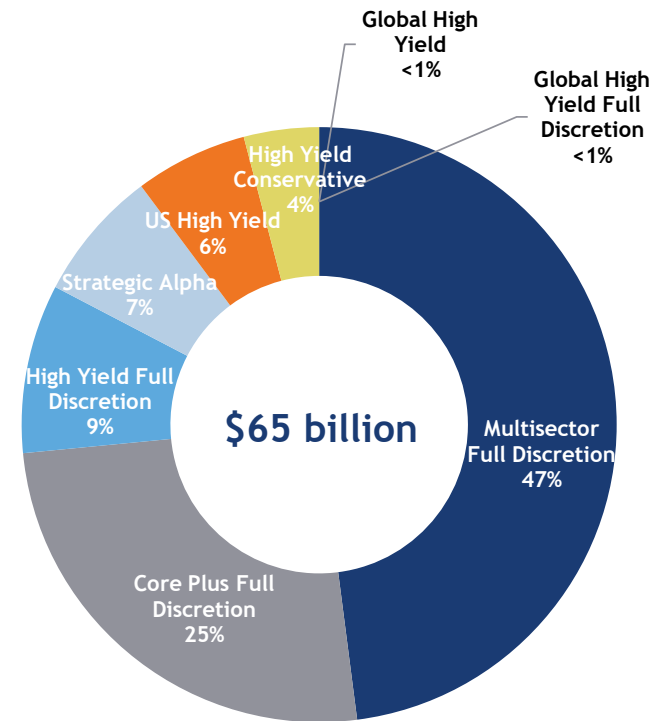
*Portfolio Strategist †Specialty Research resides within the Credit Research group.

full discretion product

LOOMIS SAYLES FULL DISCRETION TEAM ASSETS UNDER MANAGEMENT

\$65 billion as of September 30, 2020

	ASSETS (\$ millions)
Multisector Full Discretion	30,415
Core Plus Full Discretion	16,527
High Yield Full Discretion	5,840
Strategic Alpha	4,273
US High Yield	4,136
High Yield Conservative	2,684
Global High Yield	619
Global High Yield Full Discretion	372



As of 9/30/2020. Due to rounding, pie chart total may not equal 100%.

guideline summary

BENCHMARK

- 65% BBG Barclays Aggregate, 30% FTSE High Yield Mkt, 5% JP Morgan ex US Hedged \$US

GUIDELINES & LIMITATIONS

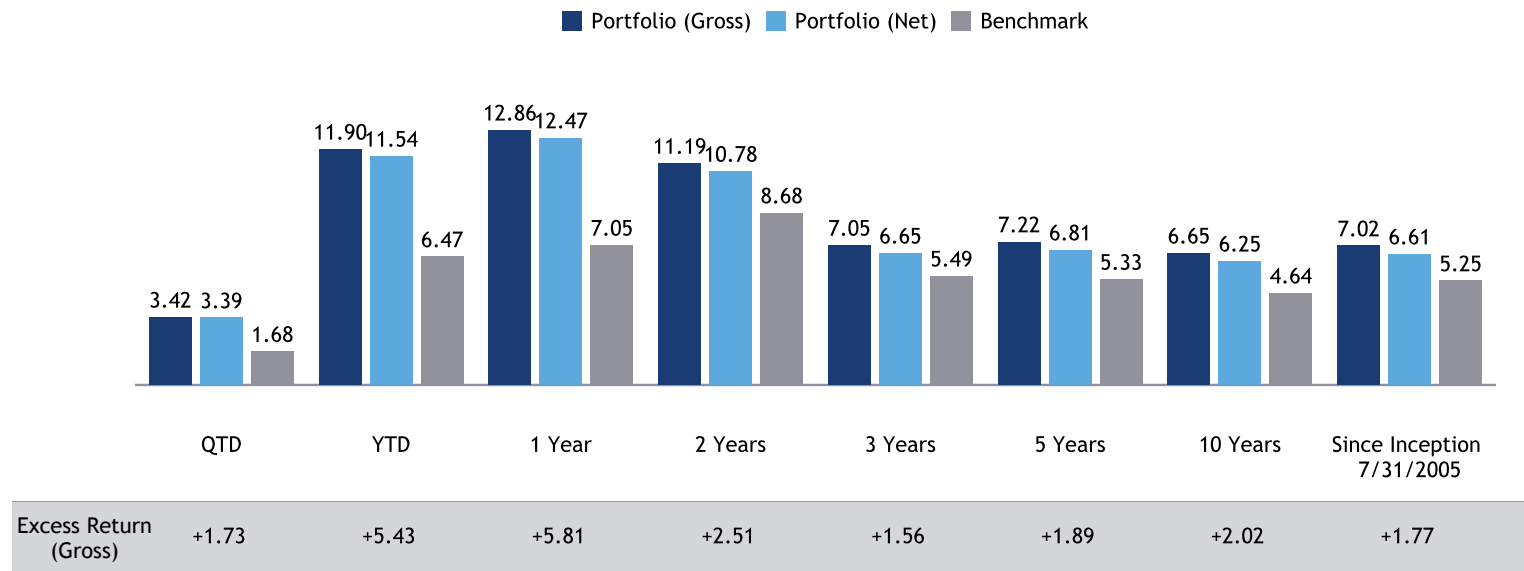
- Issuer: 5% maximum market value in a single US issuer, with the exception of US Government, Agency and GSE issuers.
- Emerging Market: 10% maximum market value in emerging market securities not domiciled in the JP Morgan Government Bond Index and 2% maximum market value in securities issued by a single entity domiciled in a country not included in the JP Morgan Government Bond Index (Emerging Market Index).
- Country: 40% maximum market value in bonds issued by non-US entities, including yankees, sovereign debt, structured notes linked to non-US markets, supranationals, and emerging market bonds.
- Currency: Maximum 20% market value in non-US dollar denominated securities
- Credit Quality: All securities shall be rated no lower than C, at the time of purchase, by Moody's, S&P or Fitch. If a security is not rated by either of Moody's, S&P, or Fitch, the Loomis Sayles equivalent rating applies. For split rated securities, the lower rating will govern.
- The minimum average rating of the portfolio shall be equivalent to Moody or S&P Baa3/BBB-. If not rated by either of the rating agencies, the Loomis Sayles rating will be used. In the case of split rated securities, the lower of the ratings will govern.
- Account may hold up to 55% market value in the aggregate of securities not rated investment grade by Moody, S&P, or Fitch, foreign bonds, non-144A private placements and unusually interest rate sensitive MBS. In the case of split rated securities, the higher rating will govern split-rated securities. If these securities are not rated (NR), Loomis Sayles rating will be used.
- Account must hold at least 65% market value in securities rated equal to or above Baa3/BBB-/BBB- by Moody, S&P or Fitch. In the case of split rated securities, the higher rating will govern split-rated securities. If these securities are not rated (NR), Loomis Sayles rating will be used.
- Account may not purchase equity securities, excluding preferred stock, but may hold equities resulting from conversions, exchanges or debt restructurings; account may hold no more than 5% market value in such equity securities.

Guideline summary is not a complete restatement of guidelines. The slide is intended to be a summary to aid in the review process.



performance

TRAILING RETURNS AS OF 11/30/2020 (%)



PORTFOLIO VALUATION (USD)

	Portfolio 12/31/2019	Portfolio 11/30/2020
Total	90,900,250	89,860,790

Benchmarks: 60% Barclays Agg, 35% Citigroup HY Mkt, 5% JPM X US Hdg \$US (7/31/2005 - 11/30/2007). 65% BBG BARC Agg 30% FTSE High Yield, 5% JPM Ex US Hedged US (11/30/2007 - 11/30/2020).

The current benchmark is 65% BBG BARC Agg 30% FTSE High Yield 5% JPM Ex US Hedged US Index.



LOOMIS SAYLES

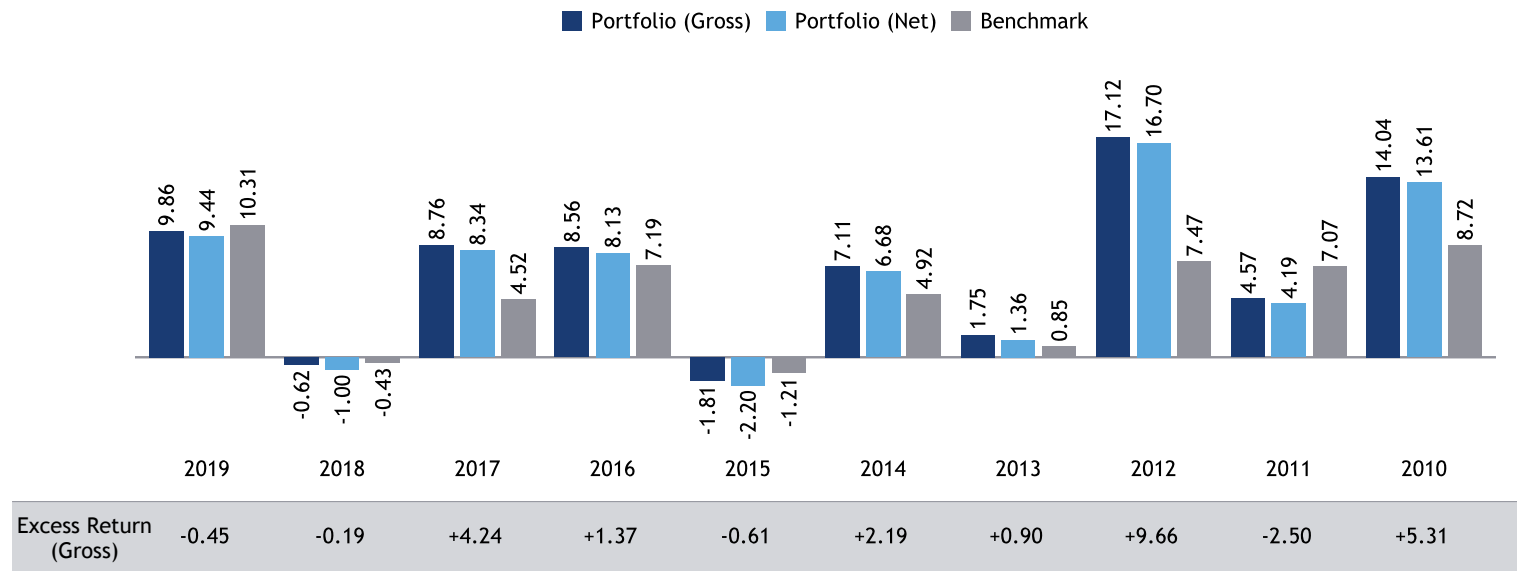
Sources: Loomis, Sayles & Company, L.P. and others

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November 30, 2020

performance

CALENDAR YEAR RETURNS AS OF 11/30/2020 (%)



Benchmarks: 60% Barclays Agg, 35% Citigroup HY Mkt, 5% JPM X US Hdg \$US (7/31/2005 - 11/30/2007). 65% BBG BARC Agg 30% FTSE High Yield, 5% JPM Ex US Hedged US (11/30/2007 - 11/30/2020).

The current benchmark is 65% BBG BARC Agg 30% FTSE High Yield 5% JPM Ex US Hedged US Index.



LOOMIS SAYLES

Sources: Loomis, Sayles & Company, L.P. and others

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attribution analysis

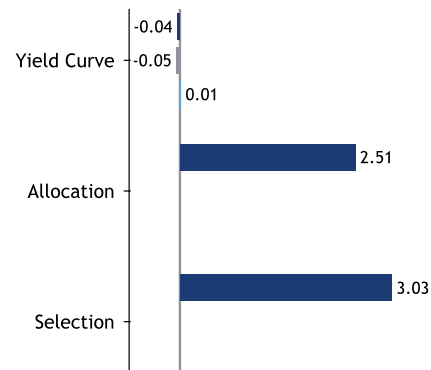
12/31/2019 TO 11/30/2020

TOTAL RETURNS

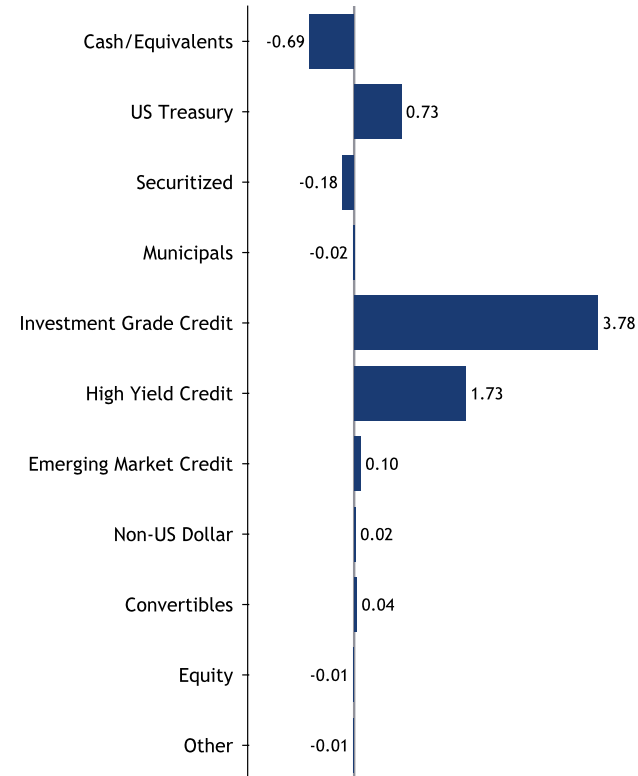
	Total Return
Portfolio Return	11.90
Benchmark Return	6.47
Excess Return	5.43

EXCESS RETURN ATTRIBUTION

■ Total ■ Parallel ■ Non-Parallel



EXCESS RETURN ATTRIBUTION BY SECTOR



Figures on the bar chart may not add up to total excess return as they exclude impact of trading and pricing differences.
The current benchmark is 65% BBG BARC Agg 30% FTSE High Yield 5% JPM Ex US Hedged US Index.



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Sources: Loomis, Sayles & Company, L.P. and others

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attribution analysis

12/31/2019 TO 11/30/2020

SECTOR DISTRIBUTION

	Portfolio Final Weight	Benchmark Final Weight	Portfolio Average Weight	Benchmark Average Weight	Portfolio Return	Benchmark Return	Total Effect
Investment Grade Credit	47.10	20.61	47.88	19.54	15.31	8.94	3.78
High Yield Credit	18.14	30.11	14.50	29.74	0.55	4.21	1.73
US Treasury	4.86	23.78	6.18	24.92	11.05	8.26	0.73
Emerging Market Credit	5.99	1.34	4.55	1.33	5.79	5.49	0.10
Convertibles	3.36	0.00	2.42	0.00	2.39	6.47	0.04
Non-US Dollar	0.07	4.92	0.47	4.99	2.83	4.00	0.02
Equity	0.00	0.00	0.01	0.00	-28.11	6.47	-0.01
Other	0.00	0.00	0.06	0.00	0.10	0.10	-0.01
Municipals	0.00	0.47	0.00	0.46	0.00	10.53	-0.02
Securitized	17.87	18.77	18.67	19.02	3.89	3.92	-0.18
Cash/Equivalents	2.62	0.00	5.25	0.00	-0.47	6.47	-0.69

*Total Effects are impacted by sector returns, allocation shifts and market timing. Total Effect includes yield curve impact.
The current benchmark is 65% BBG BARC Agg 30% FTSE High Yield 5% JPM Ex US Hedged US Index.*



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attribution analysis

12/31/2019 TO 11/30/2020

CURRENCY DISTRIBUTION

	Portfolio Weight Pre- Hedge	Portfolio Weight Post- Hedge	Currency Contribution	Bond Contribution	Hedging Effect	Total Effect
Argentine Peso	0.17	0.17	-0.09	0.13	0.00	0.03
Australian Dollar	0.03	0.03	-0.03	0.00	0.01	-0.02
Brazilian Real	0.05	0.05	-0.04	0.00	0.00	-0.04
British Pound Sterling	0.00	0.00	-0.01	0.00	0.01	0.00
Canadian Dollar	0.50	0.11	0.00	-0.01	-0.01	-0.02
Danish Krone	0.00	0.00	0.00	0.00	0.00	0.00
Euro	0.02	0.02	-0.17	0.03	0.13	-0.01
Japanese Yen	0.00	0.00	-0.07	0.13	0.05	0.12
Malaysian Ringgit	0.09	0.09	-0.01	-0.01	0.00	-0.02
Norwegian Krone	0.09	0.09	-0.04	-0.01	0.00	-0.05
Swedish Krona	0.02	0.02	-0.01	0.00	0.00	-0.01
US Dollar	98.99	98.99	0.00	5.52	0.00	5.52
Unrealized FX Gain/Loss	0.00	0.00	0.00	0.00	0.00	0.00
Mexican Peso	0.02	0.02	0.00	0.00	0.00	0.00
New Zealand Dollar	0.02	0.02	-0.01	0.00	0.00	-0.01

*Weights reflect end of period holdings. Effects are as of the entire period. Bond Contribution is the sum of Country Allocation and Local Market effects.
The current benchmark is 65% BBG B/ARC Agg 30% FTSE High Yield 5% JPM Ex US Hedged US Index.*



LOOMIS SAYLES®

Sources: Loomis, Sayles & Company, L.P. and others

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November 30, 2020

portfolio summary

AS OF 11/30/2020

	Portfolio 11/30/2020	Benchmark 11/30/2020	Portfolio 12/31/2019	Benchmark 12/31/2019	Quality	Portfolio 11/30/2020	Benchmark 11/30/2020	Portfolio 12/31/2019	Benchmark 12/31/2019
Yield to Worst (%)	2.72	2.17	3.50	3.10	AAA	13.01	45.96	24.68	47.63
Effective Duration (years)	5.37	5.47	4.70	5.12	AA	1.05	4.51	2.60	4.39
Effective Maturity (years)	8.49	6.83	6.32	6.73	A	12.63	10.69	22.46	10.29
OAS * (bps)	213	158	143	129	BAA	50.53	9.33	40.03	8.02
Coupon (%)	4.00	3.70	4.22	3.98	BA	16.10	18.59	8.66	17.26
Current Yield (%)	3.64	3.56	4.01	3.94	B	5.37	8.29	0.91	10.06
Average Quality	BAA2	A2	A3	A2	CAA	1.24	2.50	0.54	2.33
Number of Securities	539	14,356	393	13,136	CA	0.07	0.12	0.13	0.03
Number of Issuers	275	1,793	235	1,742	C	0.00	0.01	0.00	0.00
					NR	-0.01	0.00	0.00	0.00

* OAS is option adjusted spread.

Client Guideline Quality Methodology presented.

The current benchmark is 65% BBG BARC Agg 30% FTSE High Yield 5% JPM Ex US Hedged US Index.



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country of risk allocation

AS OF 11/30/2020

Total Developed Countries Exposure	Portfolio Weight %	Benchmark Weight %	Total EM Countries Exposure (USD & Non USD)	Portfolio Weight %	Benchmark Weight %	Non Dollar Exposure	Portfolio Weight %	Benchmark Weight %
Developed	93.94	98.67	Emerging Markets *	6.07	1.33	Total Non USD †	0.16	-0.08
Americas	82.89	90.27	Africa	1.21	0.17	Developed	0.08	-0.08
United States	81.33	88.07	South Africa	0.71	0.00	Canadian Dollar	0.08	0.00
Canada	0.75	2.19	Zambia	0.50	0.16	Australian Dollar	0.00	0.00
Bermuda	0.57	0.01	Other	0.00	0.01	British Pound Sterling	0.00	-0.01
Cayman Islands	0.24	0.00	Americas	3.20	0.72	Danish Krone	0.00	0.00
Asia	0.00	2.08	Mexico	1.82	0.23	Euro	0.00	-0.04
Other	0.00	2.08	Brazil	0.89	0.08	Japanese Yen	0.00	-0.03
Europe	9.21	5.08	Argentina	0.24	0.01	Swedish Krona	0.00	0.00
United Kingdom	3.19	1.48	Colombia	0.24	0.13	Emerging Markets	0.08	0.00
France	1.55	0.75	Other	0.00	0.27	Argentine Peso	0.08	0.00
Netherlands	1.04	0.34	Asia	0.24	0.35			
Germany	0.77	0.76	India	0.24	0.00			
Ireland	0.53	0.04	Other	0.00	0.35			
Belgium	0.49	0.36	Europe	0.00	0.05			
Italy	0.46	0.61	Other	0.00	0.05			
Spain	0.46	0.45	Middle East	1.42	0.05			
Norway	0.34	0.05	Israel	1.08	0.05			
Luxembourg	0.20	0.00	Saudi Arabia	0.35	0.00			
Switzerland	0.09	0.13	Total	100.01	100.00			
Finland	0.08	0.00						
Other	0.00	0.12						
Oceania	1.11	0.29						
Australia	1.11	0.28						
Other	0.00	0.01						
Supranational **	0.73	0.94						
Supranational	0.73	0.94						

* Emerging markets includes countries with middle or low income economies, as designed by the World Bank, also taking into consideration capital market liquidity and accessibility.

** Supranational includes debt from an entity sponsored by a combination of multiple governments to promote economic development.

† Values shown include impact of hedging, if utilized.

Due to active management, country and currency allocation will evolve over time. Due to rounding, totals may not equal 100%.

The current benchmark is 65% BBG BARC Agg 30% FTSE High Yield 5% JPM Ex US Hedged US Index.



LOOMIS SAYLES

Sources: Loomis, Sayles & Company, L.P. and others

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November 30, 2020

VCERA - STRATEGIC ALPHA NHIT

investment team

HIGHLY EXPERIENCED, SEASONED TEAM

PRODUCT TEAM	MATTHEW EAGAN Portfolio Manager		ELAINE STOKES Portfolio Manager		TODD VANDAM Portfolio Manager		BRIAN KENNEDY Portfolio Manager	
	Yrs of industry experience:		30		26		30	
	Yrs with firm:		23		26		26	
	SCOTT DARCI Equity and Derivatives Strategist		KYRA FECTEAU Securitized Strategist		BRYAN HAZELTON Portfolio Strategist		BRIAN HESS Global Strategist	
Yrs of industry experience:	14		12		13		17	
	Yrs with firm:		12		9		6	
Yrs of industry experience:	ELAINE KAN Rates & Currency Strategist		VISHAL PATEL Emerging Markets Corporate Strategist		PETER SHEEHAN Credit Strategist		ROGER ACKERMAN Product Manager	
	23		18		13		33	
	Yrs with firm:		9		8		11	
KEY SUPPORT	Investment Analysts				Portfolio Specialists		Product Managers	
	Christopher Romanelli Shong Xiao				Anthony Falzarano Boeurn Kan-Crawford		Kristen Doyle Ken Johnson Fred Sweeney	
SPECIALTY RESEARCH*	Convertibles				Distressed/Restructuring		Customized	
	Rich Crable		Greg Jones, CFA		Colin Wilson Murphy		Nicole Ranzinger	
	Mark Ravanesi		Matt Sabourin				Zachary South	
	Olga Tatar, CFA						Ryan Yackel	
SECTOR TEAMS	Global Asset Allocation		Developed Non-US Markets				US Yield Curve	
	Emerging Markets		High Yield / Bank Loans		Convertible		Mortgage & Structured Finance	
							Inv Grade / Global Credit	
							US Government	
FIRM RESOURCES	Macro Strategies		Credit Research		Mortgage & Structured Finance		Fixed Income Trading	
	2 Directors		Director		Head		24 Traders/TAs	
	Associate Director		2 Associate Directors		Portfolio Manager		Director,	
	Economist		Head of Municipal Research		4 Strategists		Portfolio Implementation	
	Senior Quantitative Analyst		Head of Convertibles Research		4 Senior Analysts		15 Portfolio Specialists	
	Senior Commodities Analyst		37 Senior Analysts		1 Research Analyst		Director,	
	2 Senior Research Analysts		12 Analysts		2 Research Associates		Operational Trading Risk Mgt.	
	3 Senior Research Associates		7 Research Senior Associates		Director, MSF Trading		Risk Analyst	
	Quant. Research & Risk Analysis		7 Research Associates		4 MSF Traders/TAs			
	Director							
	2 Associate Directors		Equity Research		Sovereign Research			
	Director, LDI Solutions		12 Senior Analysts		2 Senior Analysts			
	Senior Quantitative Analyst		9 Analysts		3 Analysts			
	7 Quantitative Analysts		3 Research Associates					

As of 9/30/2020. *Specialty Research resides within the Credit Research group.

guideline summary

BENCHMARK

- ICE BofAML US Dollar LIBOR 3-month Constant Maturity

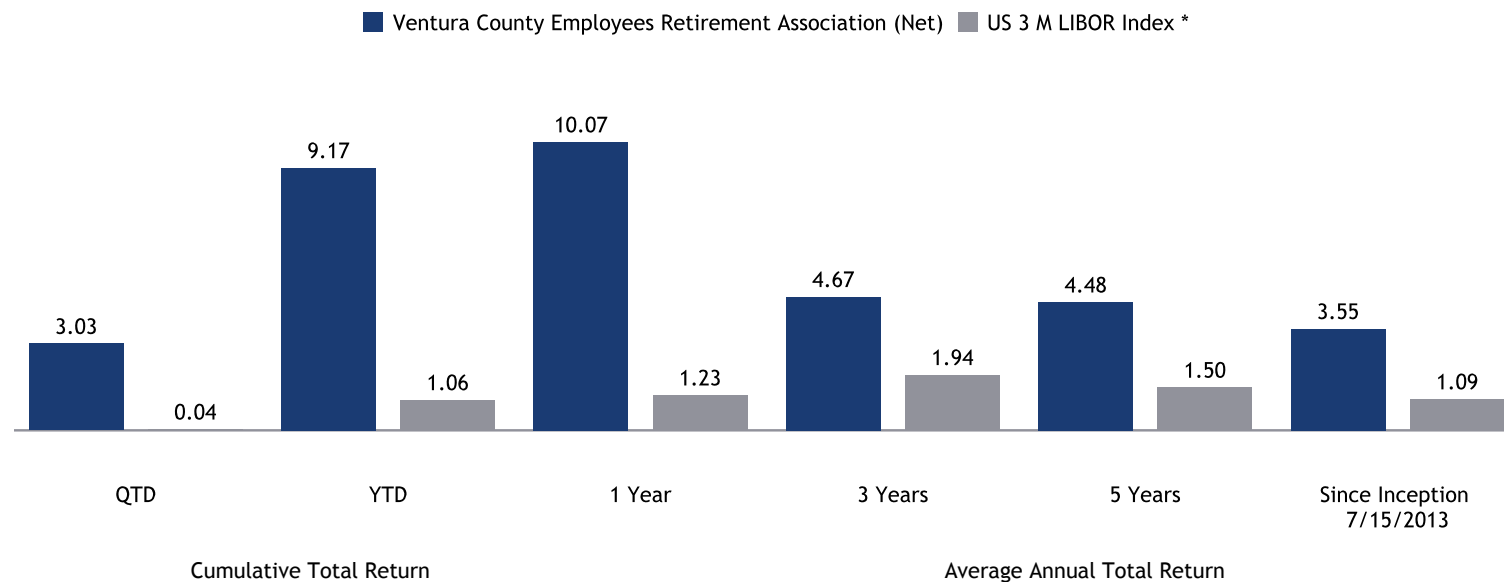
GUIDELINES & LIMITATIONS

- Minimum Credit Quality: The Fund will not hold more than +/-50% MV in securities rated below Baa3/BBB-/BBB- by Moody, S&P and Fitch (best) as determined at the time of purchase. If unrated, Loomis rating applies.
- Emerging Markets: The Account's NET emerging market currency exposure shall be limited to +/-20% as determined at the time of purchase.
- Convertibles & Residual Equity: The Account's net equity exposure is +/-5%, excluding Preferred Stock, Convertible Preferred Stock and Commingled Pools as determined at the time of purchase.
- Duration: The effective duration of the Fund will not exceed 5 years and may be as low as -2 years.
- Industry Concentration: The Fund's NET exposure to any individual industry is +/- 25%, excluding securities issued or guaranteed by Government issuers as determined at time of purchase.
- Currency: The Account's NET individual currency, excluding U.S. dollar shall be limited to +/-15% as determined at the time of purchase.

Guideline summary is not a complete restatement of guidelines. The slide is intended to be a summary to aid in the review process.

trust performance

AS OF 11/30/2020 (%)



Sources: State Street Bank, Bloomberg and Loomis Sayles.

*The Trust's investment objective seeks to provide absolute returns in excess of 3-month US LIBOR + 2-4%. This return objective is used for the purpose of portfolio construction, is unofficial, and is provided for informational purposes only. There is no guarantee the strategy will achieve its return objective.

Trust data is being shown as supplemental information.

Performance for multi-year periods is annualized. Total return assumes reinvestment of dividends and capital gains distributions. Gross returns are net of administrative costs and trading costs. Net returns are gross returns less management fees for the period.

Investment return and principal value may fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Performance data quoted represents past performance and current returns may be higher or lower.

Investors should consider a trust's objective, risks and expenses carefully before investing. This and other information can be found in the Trust's Confidential Private Placement Memorandum. Investments in the Trust are not insured by the FDIC, and are not deposits, obligations of, or endorsed or guaranteed in any way, by any bank. Any losses in the Trust will be borne solely by investors, not by Loomis Sayles or its affiliates.

Please see the Key Investment Risks and the Fee Schedule for the Strategic Alpha Trust included in this presentation.

Returns may increase or decrease as a result of currency fluctuations.

Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.



SA-NT0519
MALR021972

portfolio summary

12/31/2019 TO 11/30/2020

PORTFOLIO SUMMARY

	Portfolio 11/30/2020	Portfolio 12/31/2019	Change 12/31/2019 to 11/30/2020
Yield to Worst (%)	3.49	3.72	-0.23
Effective Duration (years)	3.86	1.83	2.03
Coupon (%)	3.93	3.79	0.15
Maturity (years)	5.82	2.83	2.99
Average Quality	BAA1	A3	-
Number of Issuers	346	325	21

QUALITY SUMMARY

	Portfolio % 11/30/2020	Portfolio % 12/31/2019	Change in Exposure % 12/31/2019 to 11/30/2020
Investment Grade	71.25	83.21	-11.96
AAA	18.52	25.47	-6.95
AA	4.04	11.11	-7.07
A	10.92	23.30	-12.38
BBB	37.77	23.33	14.44
High Yield	29.03	12.00	17.02
BB	12.19	6.57	5.62
B	15.25	3.63	11.61
CCC & Below	1.59	1.80	-0.21
NR**	2.41	1.11	1.30

Source: Loomis Sayles.

Rating categories include unrated securities of comparable quality as determined by Loomis Sayles. Equity securities are deemed to have a duration and maturity value of zero.

**NR consists of non-rated issues plus securities such as common stock, ADR's, ETF's, CDX's and forwards.



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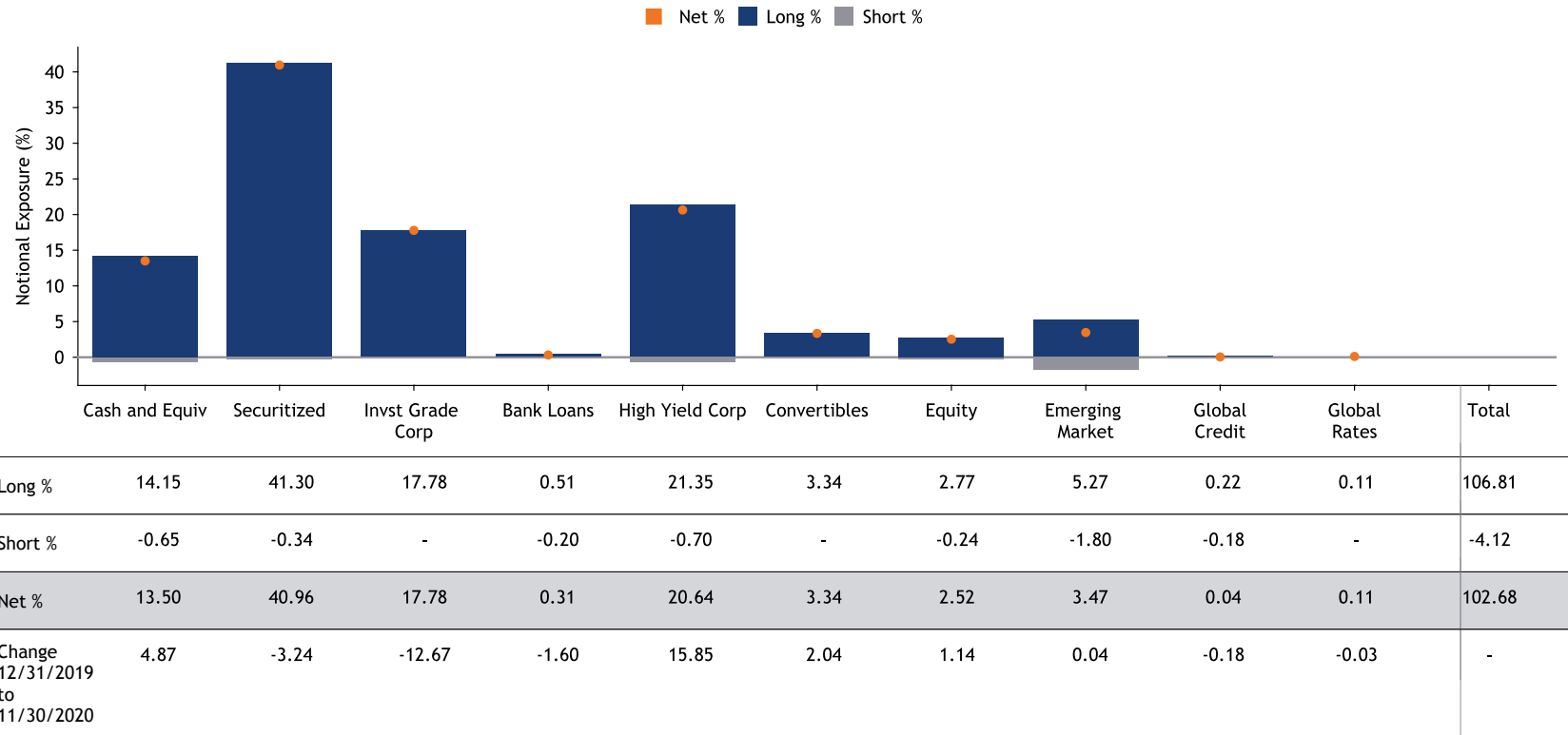
Sources: Loomis, Sayles & Company, L.P. and others

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November 30, 2020

portfolio review

NOTIONAL EXPOSURE BY STRATEGY AS OF 11/30/2020



Source: Loomis Sayles.

Strategies are based on internal Loomis Sayles classifications. Certain portfolio exposures may be excluded from this chart because, in our view, they are best represented in terms of contribution to duration as shown later in the presentation. Portfolio Strategy Exposure does not include derivative offsets, included in the portfolio's total net assets. The portfolio's long and short investment exposures may, at times, each reach 100% of the assets invested in the portfolio (excluding derivatives used for duration, interest rate or yield curve management and cash and cash equivalents), although these exposures may be higher or lower at any given time.



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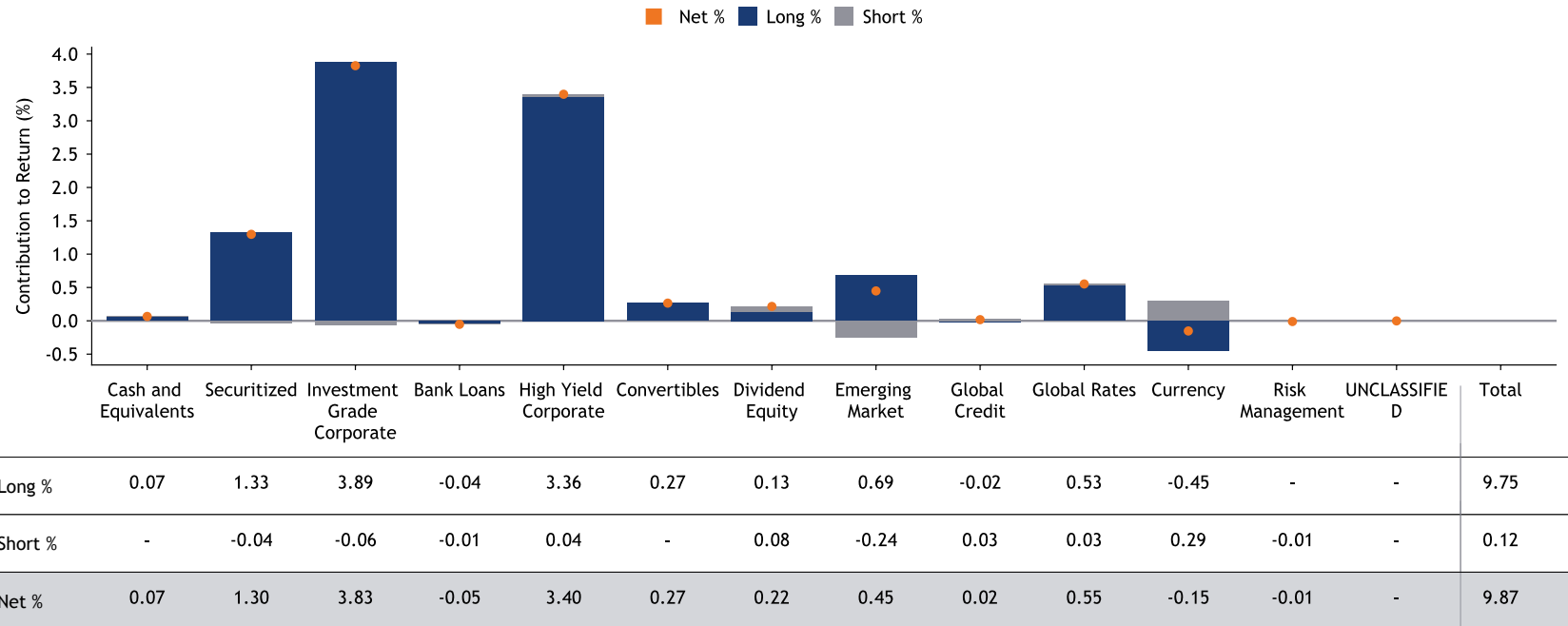
Sources: Loomis, Sayles & Company, L.P. and others

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portfolio review

YEAR TO DATE CONTRIBUTION (GROSS) AS OF 11/30/2020



Source: Loomis Sayles.

Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.

Strategies are based on internal Loomis Sayles classifications. Due to the differences in calculation methodologies, the total return shown for attribution may differ from the actual return for the account. Please see the returns for actual return information. Contribution account returns are gross of fees



LOOMIS SAYLES

Sources: Loomis, Sayles & Company, L.P. and others

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portfolio review

CONTRIBUTION (GROSS) AS OF 11/30/2020

	Prior Year Contribution to Return			Prior 3 Years Contribution to Return			Prior 5 Years Contribution to Return		
	Net	Long	Short	Net	Long	Short	Net	Long	Short
Cash and Equiv	0.08	0.08	-	0.11	0.11	-	0.10	0.10	-
Securitized	1.31	1.37	-0.06	1.64	1.63	0.01	1.57	1.58	-0.01
Invst Grade Corp	3.98	4.04	-0.06	1.92	1.96	-0.03	1.78	1.83	-0.05
Bank Loans	-0.02	-0.01	-0.01	0.18	0.18	-	0.23	0.24	-
High Yield Corp	3.62	3.58	0.04	1.26	1.26	-	1.39	1.51	-0.13
Convertibles	0.31	0.31	-	0.14	0.14	-	0.26	0.26	-
Equity	0.28	0.20	0.08	0.14	0.45	-0.31	0.05	0.38	-0.34
Emerging Market	0.55	0.81	-0.27	0.19	0.32	-0.12	0.35	0.47	-0.12
Global Credit	0.04	0.03	0.01	-0.13	-0.16	0.02	-0.08	-0.06	-0.03
Global Rates	0.70	0.72	-0.02	0.08	0.11	-0.02	0.09	0.03	0.07
Currency	-0.05	-0.29	0.25	-0.02	-0.22	0.19	-0.25	-0.04	-0.21
Risk Mgmt	-0.01	-	-0.01	-	0.03	-0.02	-0.07	0.01	-0.08
UNCLASSIFIED	-	-	-	-	-	-	-	-	-
Total	10.79	10.84	-0.05	5.30	5.57	-0.30	5.06	5.78	-0.91

Source: Loomis Sayles.

Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.

Investment return and value will vary and you may have a gain or loss when shares are sold. Current performance may be lower or higher than shown. Gross returns are net of administrative costs and trading costs.



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Sources: Loomis, Sayles & Company, L.P. and others

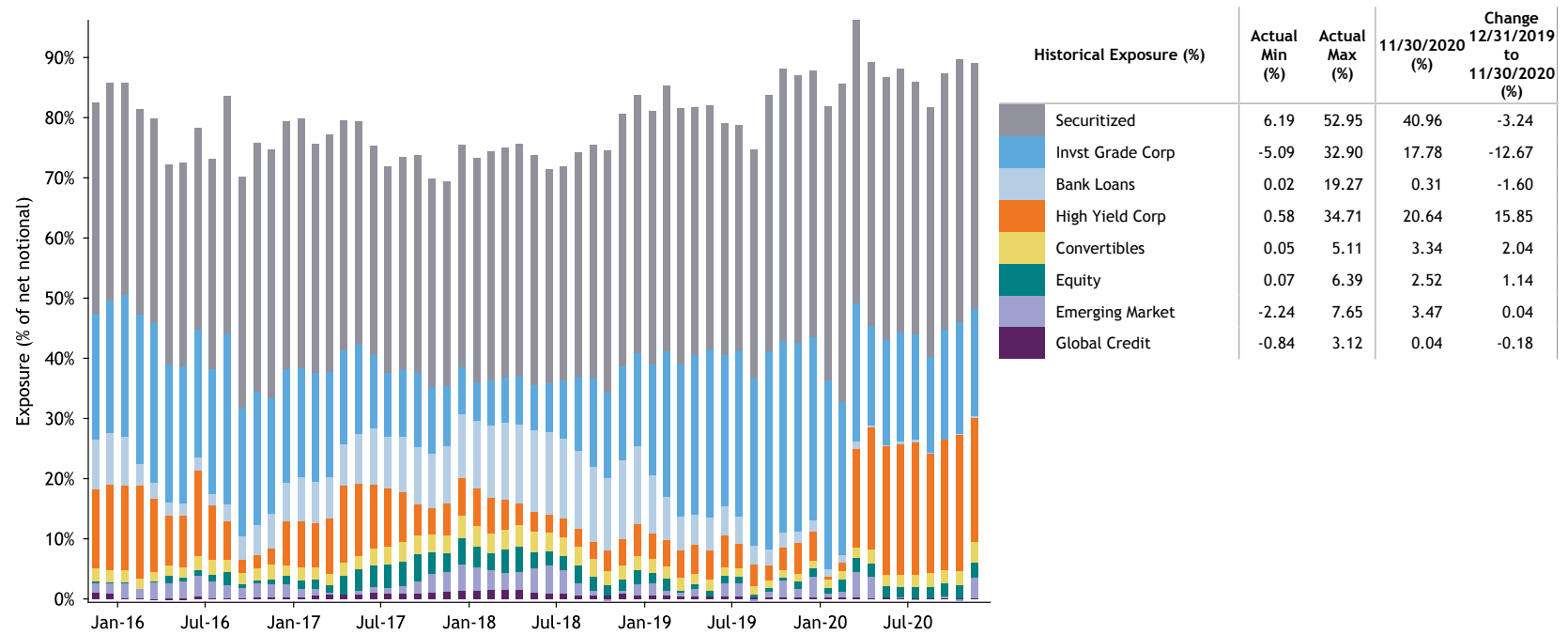
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alpha generation

CREDIT

The portfolio's flexibility in credit market beta allows it to tactically adjust these allocations throughout various market environment and economic regimes



Source: Loomis Sayles, as of 11/30/2020

Due to active management, allocations will evolve over time. The chart above shows credit markets only. Certain portfolio exposures may be excluded from this chart because in our view, they are best represented in terms of contribution to duration as shown later in the presentation.



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Sources: Loomis, Sayles & Company, L.P. and others

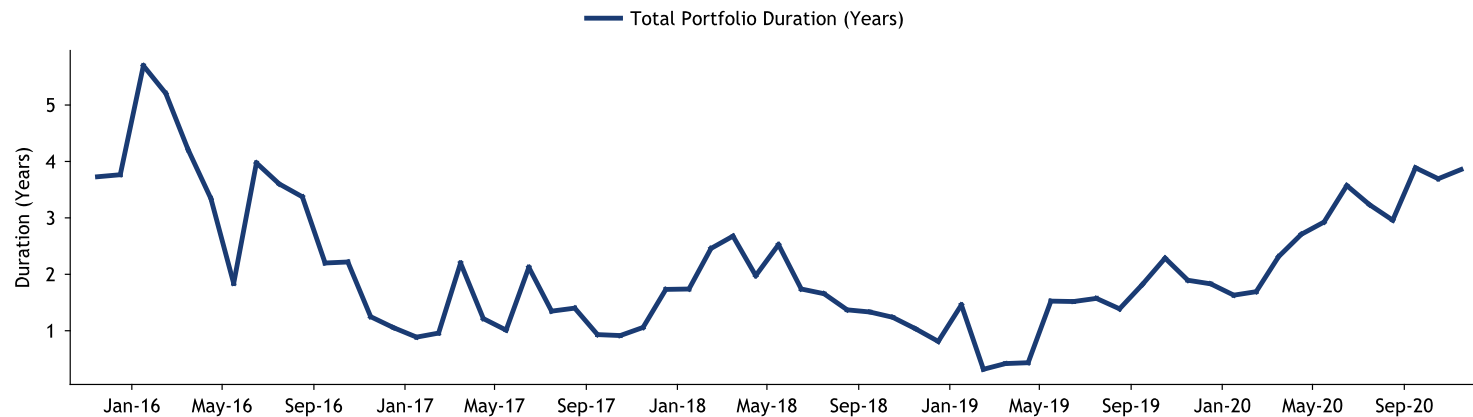
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alpha generation

CURVE

Seeks to benefit from movements in global interest rates. Portfolio's flexibility allows duration to be adjusted tactically.



	Actual Min (%)	Actual Max (%)	11/30/2020 (%)	12/31/2019 (%)
Total Portfolio Duration (Years)	0.32	5.70	3.86	1.83

Source: Loomis Sayles, as of 11/30/2020



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Sources: Loomis, Sayles & Company, L.P. and others

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alpha generation

CURRENCY

	Currency Exposure						Change in Exposure % 12/31/2019 to 11/30/2020
	11/30/2020			12/31/2019			
	Total %	Physical %	Forward %	Total %	Physical %	Forward %	
Argentine Peso	0.16	0.16	-	0.36	0.36	-	-0.20
British Pound Sterling	0.06	0.22	-0.17	0.03	0.45	-0.42	0.03
Euro	0.05	1.01	-0.97	-0.60	0.43	-1.03	0.65
Colombian Peso	0.01	0.19	-0.18	0.04	0.36	-0.32	-0.03
Canadian Dollar	-	0.18	-0.18	-	0.15	-0.15	-
Mexican Peso	-	-	-	-	-	-	-
Australian Dollar	-	-	-	1.01	-	1.01	-1.01
Brazilian Real	-	-	-	0.50	-	0.50	-0.50
Hungarian Forint	-	-	-	0.51	-	0.51	-0.51
Malaysian Ringgit	-	-	-	1.04	-	1.04	-1.04

Source: Loomis Sayles.
Currency exposure excludes credit derivatives.



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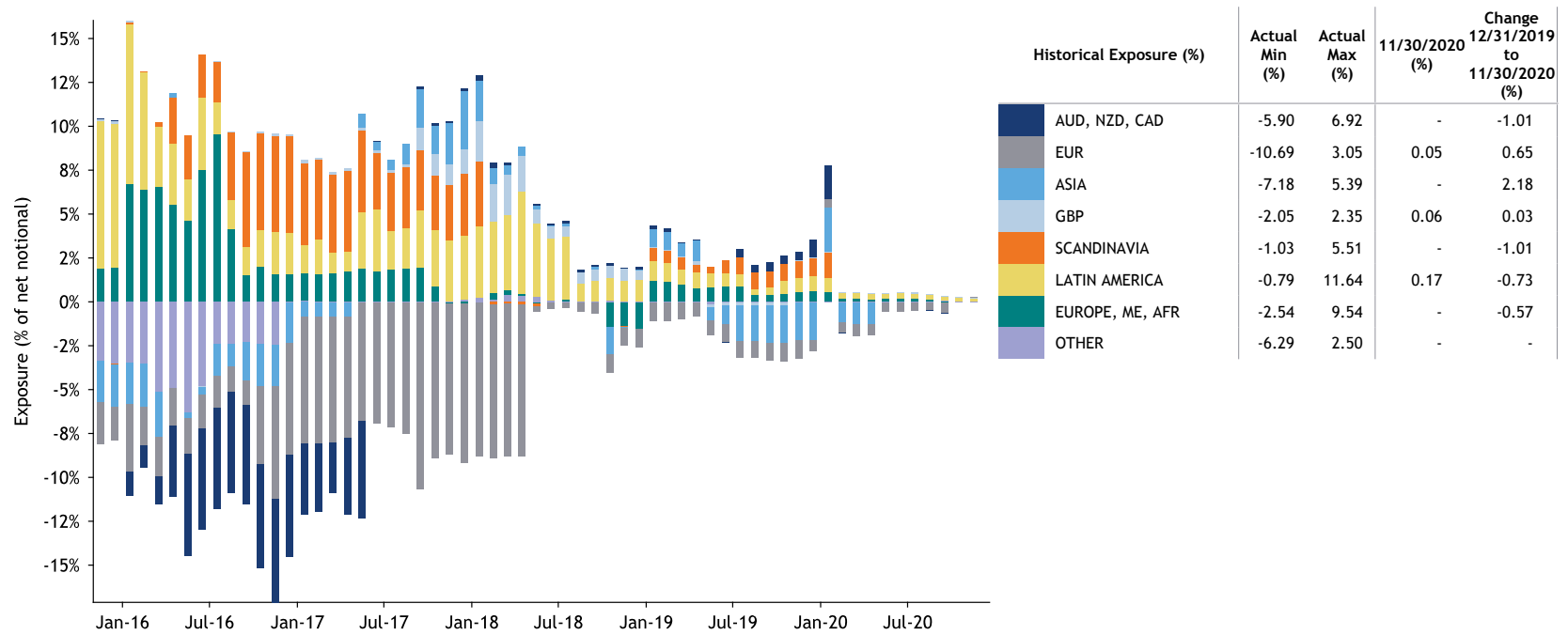
Sources: Loomis, Sayles & Company, L.P. and others

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historical net currency exposure

AS OF 11/30/2020 (%)



Source: Loomis Sayles.

Due to active management, exposures will evolve over time. Currency exposure excludes credit derivatives.



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Sources: Loomis, Sayles & Company, L.P. and others

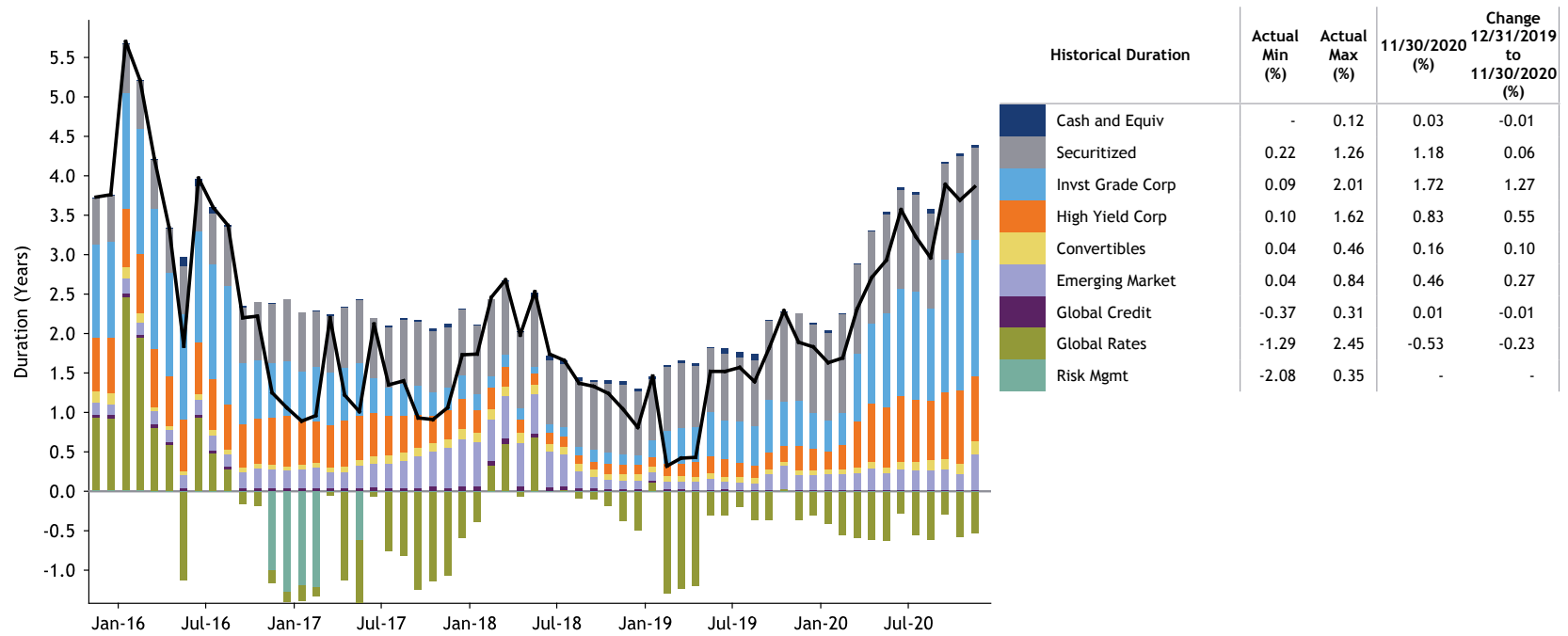
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historical contribution to duration (years) by strategy

AS OF 11/30/2020

NHIT: Strategic Alpha Trust



Source: Loomis Sayles.

Due to active management, exposures will evolve over time.



LOOMIS SAYLES

Sources: Loomis, Sayles & Company, L.P. and others

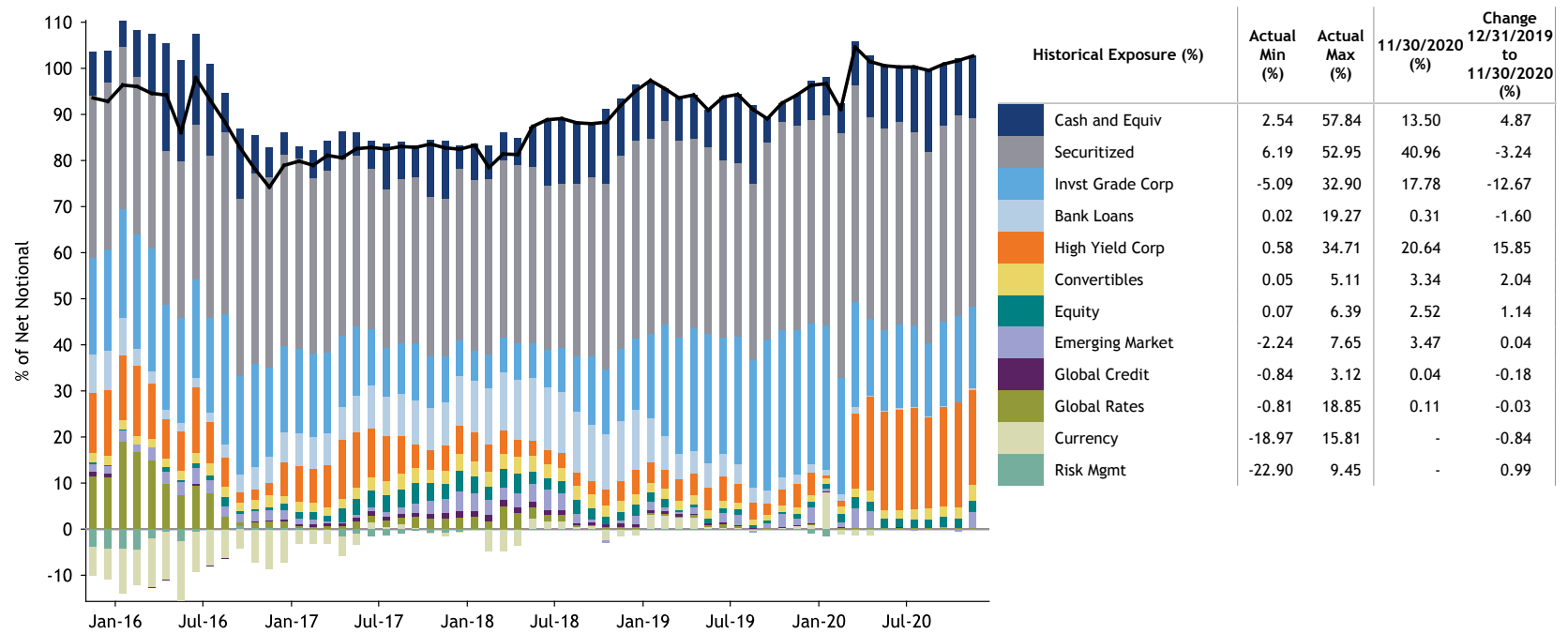
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historical gross strategy exposure

AS OF 11/30/2020 (%)

NHIT: Strategic Alpha Trust



Source: Loomis Sayles.

Due to active management, exposures will evolve over time. Strategies are based on internal Loomis Sayles classifications. Certain portfolio exposures may be excluded from this chart because, in our view, they are best represented in terms of contribution to duration as shown later in the presentation. Portfolio Strategy Exposure does not include derivative offsets, included in the portfolio's total net assets.



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Sources: Loomis, Sayles & Company, L.P. and others

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November 30, 2020

macroeconomic environment and outlook

YEAR-END FORECAST	US DOMESTIC		GLOBAL		WESTERN EUROPE		ASIA PACIFIC		LATIN AMERICA	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Real GDP Growth	-3.5%	3.5%	-3.9%	5.1%	-7.7%	5.0%	-0.6%	4.7%	-7.0%	4.3%
Headline CPI Inflation	1.2%	1.9%	2.2%	2.6%	0.4%	1.1%	1.8%	2.1%	7.7%	8.5%
Current Account Balance (% GDP)	-3.2%	-3.3%	-	-	-	-	-	-	-	-
Interest Rates (10-year); End Of Year	0.9%	1.4%	-	-	-	-	-	-	-	-

US EXITING A SHARP, BUT SHORT-LIVED DOWNTURN

- 2020 real GDP could be around -3.5%, after a stronger than expected Q3 (+33.1% q/q saar). Growth should remain positive as we look towards the end of 2020 and move into 2021.
- Unemployment peaked at almost 15% in April. However, it dropped more quickly than expected and is now below 7%. We expect continued improvement as we push forward in the cycle.
- Easing of lockdowns helped data bounce back, but the recovery could be tempered as virus cases rise through the Fall and Winter.
- The virus negatively impacted prices given the drop in demand. We expect inflation to remain limited in the near term, keeping the Fed on hold.

COVID-19 REMAINS TOP-OF-MIND

- Virus spread has been rampant throughout much of Europe, causing major economies like Germany, France and UK to reinstate lockdowns, though they are not quite as severe as the ones we saw in the Spring.
- Covid-19 cases continue to pick up in the US as well; strict national lockdowns are not currently expected, but localized or regionalized lockdowns are not unfeasible.
- Positive vaccine news from Pfizer and Moderna could help investors feel more confident about the “light at the end of the tunnel” as 2021 rolls on.
- Manufacturing PMIs point towards ongoing recovery, but services have been (and will likely be) hit harder by containment measures.

CORPORATE PROFIT GROWTH HELPS DRIVE THE ECONOMIC CYCLE

- A revival in corporate profits is integral for the economic recovery. We saw earnings estimates plunge earlier in the year, but things have been turning up since then.
- Profits are set to tumble in 2020 with Q2 being the worst quarter. A strong earnings recovery (+ 20% to 30% for S&P 500) is anticipated in 2021, bringing earnings back near 2019 levels.
- Risks to small businesses with less access to capital markets are prevalent, but we do not believe the impact will be large enough to bring down the economy.

MONETARY POLICY, FISCAL POLICY, AND VACCINE HOPES ARE KEY

- The Fed cut rates to zero and announced unlimited QE in an effort to mitigate the negative impacts. Other global central banks have pursued aggressive monetary policy as well, which helps provide liquidity and support the global market. We expect monetary support to continue.
- We’ve seen strong responses from fiscal authorities around the world, which should help bridge the gap until social distancing comes to an end. We anticipate further stimulus from the US government by the end of Q1 2021.
- Vaccine distribution in 2021 would allow social distancing to begin to ease by the summer and help the economy normalize.

Data as of 11/13/2020; Loomis Sayles Macro Strategies Group. This material is provided for informational purposes only and should not be construed as investment advice. The forecasted views and opinions expressed reflect those of the authors and do not necessarily reflect the views of Loomis, Sayles & Company L.P. All statements are made as of the date of the presentation and are subject to change at any time without notice.

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December 14, 2020

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: \$25 MILLION INVESTMENT IN TORCHLIGHT DEBT OPPORTUNITY FUND VII

Dear Board Members:

NEPC and I jointly recommend a \$25 million investment in the Torchlight Debt Opportunity Fund VII.

Background

The Board's adopted asset allocation of June 22, 2020 increased the target allocation to private credit from 3% to 5% for a globally diversified private credit program over three years. The Board approved Private Debt Pacing Plan called for an additional \$50 million to be committed to Private Debt strategies in 2020. (In January 2020, the Board had approved a \$50 allocation to PIMCO's Corporate Opportunities Fund III). The recommended Crayhill and Torchlight commitments will successfully complete VCERA's 2020 Private Debt commitment objective.

Torchlight Debt Opportunity Fund VII

As is described in greater detail in NEPC's investment report, Torchlight is targeting \$1.5 billion in total commitments for its Debt Opportunity Fund VII (Torchlight VII), its tenth closed-end real estate fund, and seventh real estate debt fund. The Fund is targeting a 1.3x-1.5x net TVPI multiple and a net 10%-12% IRR with a 6% annual income distribution while using a maximum leverage of 30% of total fund assets.

Torchlight VII is seeking to continue the strategy employed by Torchlight's prior real estate debt funds in which it seeks to generate a strong current income, enhanced with capital appreciation and other sources of return such as deferred interest or origination fees, by investing in a diversified portfolio of commercial real estate debt. Torchlight will focus on senior and junior mortgage loans, CMBS, CDOs, mezzanine debt, and preferred equity. Torchlight VII will seek to make investments in the \$5 to \$75 million range, and will be diversified by property type and geography within in the U.S.

The Fund has a closed-end structure with a three-year investment period, and a ten-year fund life from the date of final close, with the fund life subject to two one-year extensions. Torchlight VII's real estate debt strategies will provide added diversification to VCERA's private credit exposure. In addition, Torchlight VII's fees are competitive, and NEPC clients benefit additionally from fee aggregation discounts of 25 basis points from the standard fee of 150 basis points (i.e., the management fee is 125 basis points).

Torchlight VII has been rated "1" by NEPC due to Torchlight's expertise in investing in real estate debt coupled with its flexible investment strategy that is expected to well position Torchlight VII to capitalize on a wide array of opportunities.

Torchlight Debt Opportunity Fund VII Recommendation
December 14, 2020
Page 2 of 2

THEREFORE, IT IS RECOMMENDED THAT THE BOARD:

1. Approve an allocation of \$25 million to the Torchlight Debt Opportunity Fund VII, and direct staff and counsel to negotiate the necessary legal documents; and,
2. Subject to approval of VCERA legal counsel, authorize the Board Chair or the Retirement Administrator, or if both unavailable, the Chief Investment Officer to approve and execute the required documentation.

Respectfully submitted,



Dan Gallagher
Chief Investment Officer

NEPC Private Markets Investment Due Diligence Report

Torchlight Investors, LLC

Torchlight Debt Opportunity VII, LP

August 2020

Product Rating: 1



BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | PORTLAND | SAN FRANCISCO

Torchlight Debt Fund VII, LP
Real Estate Debt

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Torchlight Debt Fund VII, LP

Real Estate Debt

Executive Summary

Torchlight Investors, LLC ("Torchlight," "Manager," or "Firm") is seeking \$1.5 billion for Torchlight Debt Opportunity Fund VII ("Fund" or "Fund VII"), its tenth closed-end real estate fund and seventh real estate debt fund. The Firm's three other non-debt focused funds include: liquid long only, short only, and a long/short fund. The Fund is seeking to continue the strategy employed by the Firm's prior real estate debt funds in which it seeks to generate a strong current income (enhanced with some capital appreciation and other sources of return such as deferred interest or origination fees) by investing in a diversified portfolio of commercial real estate debt. The Manager will focus on senior and junior mortgage loans, CMBS, CDOs, mezzanine debt, and preferred equity. The Fund is targeting to achieve a 1.3x-1.5x net equity multiple and a net 10%-12% IRR with a 6% annual income distribution while using maximum leverage of 30% of total fund assets. The Fund will seek to make investments in the \$5 to \$75 million range and will be diversified by property type and geography within in the US.

Torchlight is a privately-held real estate investment manager with approximately \$3.1 billion in assets under management, as of December 31, 2019. Torchlight was founded in 1995 and it has acquired over \$23 billion in public and private commercial real estate investments. Torchlight Investors was founded by Daniel Heflin as a joint venture with Jones Lang Wooten Realty Advisors. In 1998, Torchlight registered as an investment advisor with the SEC. In 2002, ING Group acquired a passive minority interest in the firm, which was renamed ING Clarion Capital, LLC. In several transactions starting in 2010, Daniel Heflin used personal funds to repurchase the interests of ING Group, as well as the passive interests held by former affiliates of ING and Torchlight. Since 2010, Torchlight has been an independent investment advisor owned by senior management and a former colleague.

In addition to its investment advisory activities, Torchlight operates Torchlight Loan Services, a nationally rated special servicer which provides loan servicing, distressed loan workout, and property asset management services. As of December 31, 2019, Torchlight Loan Services was named as the special servicer on \$11.9 billion of structured commercial real estate debt (*i.e.*, CMBS trusts) and has worked out \$10.9 billion in distressed debt since inception.



Torchlight Debt Fund VII, LP

Real Estate Debt

Positives:

- **Flexible investment strategy** – The investment strategy is broad, allowing the Manager to invest opportunistically across public and private debt. This is particularly attractive following the recent financial market turmoil, as it will allow the Fund to capitalize on a wide array of opportunities. The Fund will pursue investments across the spectrum of commercial debt, including individual loans, senior and mezzanine mortgage loans, CMBS, preferred equity, and equity positions, participating mortgages, and debt or equity issues by real estate companies.
- **Team expertise across debt strategies** – Torchlight is an experienced investor and lender across the commercial real estate capital structure and is experienced in managing loan workouts. Torchlight has over 25 years of experience as a lender and investor in commercial real estate debt. Since its inception, Torchlight has acquired over \$23 billion in public and private commercial real estate investments and has \$3.1 billion of assets under management. Additionally, Torchlight operates Torchlight Loan Services, a nationally rated special servicer which provides loan servicing, distressed loan workout, and property asset management services.
- **Thoughtful portfolio construction** – Over the course of the Firm's history, it has learned valuable lessons that have been incorporated into the Firm's fundamental principles for investment and asset management. The Firm focuses on constructing a portfolio with a high current income return, mitigating downside risk through stress testing its investments pre- and post-acquisition, maintaining disciplined underwriting, and structuring investments with optionality to capture upside and/or control the assets on the downside.
- **Strong current income** – The Fund is targeting a 10-12% net IRR to investors, of which 6%+ will be in the form of current income distributed quarterly. Historically, Torchlight's funds have provided a strong current income component. A focus on current income allows Torchlight to return capital quickly and reduce terminal value risk.

Negatives:

- **Levered strategy creates borrowing risk** – The Fund uses financial leverage to enhance its returns. This leverage comes in the form of warehouse lines and a subscription facility. This risk is somewhat mitigated in that the Fund is limited to leverage of 30% at Fund's total assets. Torchlight maintains near-term liquidity options from its portfolio cash, unfunded LP commitments, and available subscription financing sufficient to retire its financing under warehouse credit facilities. Torchlight regularly assesses the composition of the collateral used with its warehouse lines and price shock that would trigger a reduction in lending to ensure that the portfolio is constructed to address any potential re-margining.
- **Poor performance from pre-GFC fund** – Fund II was a 2006-vintage fund that invested into the global financial crisis ("GFC"). Fund II had \$732 million in committed capital and is now fully realized, but underperformed relative to other real estate funds of this vintage. NEPC believes that the fund should have provided better downside protection. Torchlight has learned from its experience with Fund II and works diligently to construct its portfolios and its capital management more carefully post-GFC. Torchlight stress tests its downside scenarios to account for severe macro situations, such as those experienced during the GFC, and creates more defensive and diversified portfolios with higher degrees of subordination.



Torchlight Debt Fund VII, LP

Real Estate Debt

Fund Characteristics

Investment Vehicle	Delaware Limited Partnership
Investment Manager	Torchlight Investors, LLC
Target Size/Max Size	\$1.5B / \$2.25B
Amount Raised	\$1.1B as of July 31, 2020
Minimum Investment Size	\$10 million, although the GP may accept lower amounts in its discretion
Target Final Close Date	First Quarter 2021
Investment Period	Three years from the date of the Final Closing
Fund Term	Ten years from the date of the Final Closing, subject to two one-year extensions
Sponsor's Investment	The lesser of \$10M or 1% of aggregate Capital Commitments
Assets Under Management	\$3.1B
Investment Focus	Commercial real estate debt investments
Geographic Focus	U.S.
Projected Number of Investments	75 to 125 investments
Deal Size	\$5 to \$75 million
Target Fund Return	Net 10%-12% IRR and 1.3x-1.5x TVPI to investors
Leverage	Up to 30% of the fund assets
Annual Management Fee	The Fund's standard asset management fee is 150 bps, calculated on Capital Commitments during the Commitment Period and on Invested Capital thereafter. Fee discounts may be available due to investment size or other considerations.
Other Fees	The Fund may utilize the services of its affiliate, Torchlight Loan Service, a nationally rated special servicer which provides loan servicing, distressed loan workout, and property asset management services.
Organizational Costs	Fund will bear up to \$2.25M
Carried Interest	20% with a 50/50 catch-up
Preferred Return	8%
Distribution Waterfall	Full "European Style" distribution waterfall. First 100% to LPs until invested capital on all investments plus preferred return has been distributed. Then 50% to GP as catch-up until 20% carried interest is received. Thereafter, 80%/20% LP/GP split.
ERISA Fiduciary	The Fund intends to avoid being considered to hold plan assets for the purpose of ERISA. Torchlight is a Qualified Professional Asset Manager (QPAM) under ERISA (although, Torchlight does not manage plan assets at the present time).
Fund Auditor	PricewaterhouseCoopers LLP
Fund Legal Counsel	Shearman & Sterling LLP; Metsch and Metsch LLP
Placement Agents	None
Website	http://www.torchlightinvestors.com



Torchlight Debt Fund VII, LP

Real Estate Debt

Firm Description

Firm Overview

Torchlight was founded in 1995 to provide investment management services to institutional clients seeking exposure to commercial real estate debt markets. Since its inception, Torchlight has acquired over \$23 billion in public and private commercial real estate investments and has \$3.1 billion of assets under management. Torchlight has sponsored ten investment funds for institutional clients, including public and corporate pension funds, endowments and foundations, and sovereign wealth funds. Over more than two decades, Torchlight has invested across the spectrum of commercial real estate investments, including: private senior and mezzanine loans, preferred equity, equity and investment grade and non-investment grade CMBS.

Torchlight was founded by Daniel Heflin as a joint venture with Jones Lang Wooten Realty Advisors. In 1998, Torchlight registered as an investment advisor with the SEC. In 2002, ING Group acquired a passive minority interest in the firm, which was renamed ING Clarion Capital, LLC. In several transactions starting in 2010, Daniel Heflin used personal funds to repurchase the interests of ING Group, as well as the passive interests held by former affiliates of ING and Torchlight. Since 2010, Torchlight has been an independent investment advisor owned by senior management and a former colleague.

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Team Overview

The Firm consists of 58 professionals, inclusive of ten owner-partners. Torchlight's investment and portfolio management activities are directed by a senior team whose members average 24 years of experience in the industry. The Firm operates completely from its headquarters in New York City.

The Firm's Investment Committee is responsible for overseeing and implementing the Fund's investment strategy. The Investment Committee consists of five members who vote by majority:

- Samuel Chang, Partner – Investment Management
- Greg Dineen, Chief Credit Officer
- Daniel Heflin, Partner – Chief Executive Officer, Co-Investment Officer
- Gianluca "Luca" Montalti, Partner – Asset Manager
- Marc Young – Partner, Co-Investment Officer

Please see **Addendum A** for biographies of the key professionals.

Recent Turnover/ Key Departures

Torchlight reported that 15 senior investment professionals (Vice President and above) have departed in the past five years. These departures include one partner who left to pursue other opportunities in 2017 and the Chief Operating Officer who retired in 2018. In addition, the Manager has hired 15 senior professionals in the past five years. Torchlight is a well-known firm in the industry and has evidenced an ability to attract and hire high-quality human resources.

Succession Planning

There is no formal written succession plan. Torchlight has a deep bench of firmwide leadership and none of the key personnel have identified retirement dates or indicated intent to depart the Firm. Every major leadership position at Torchlight has an immediate successor in place that management believes capable of responsibility for the given group in case of an unplanned departure. The Firm is majority owned by Daniel Heflin. There is an insurance policy in place that would be triggered in the event of his death. This insurance policy is designed to be able to buy out his estate's ownership interest in the company with his shares being divided up pro rata amongst the remaining partners.



Torchlight Debt Fund VII, LP

Real Estate Debt

Fund Investment Strategy

Investment Strategy

The Fund will focus primarily on commercial real estate debt investments. Torchlight believes that its approach provides a favorable risk-return profile allowing Torchlight to target a net return of 10%+.

The Fund will pursue investments across the spectrum of debt and other interests relating to commercial real estate, including, but not limited to, interests in individual loans secured by commercial real estate, senior and mezzanine mortgage loans, CMBS, preferred equity and equity positions, participating mortgages, and debt or equity issued by real estate companies.

Target Investments: Commercial Real Estate Loan Interests

- **Senior Loans:** Senior commercial loans are typically secured by a first lien mortgages representing 55% to 70% of the value of the underlying asset.
 - Senior loans may further be structured as senior positions ("A-Notes") and junior positions ("B-Notes"). A-Notes will generally represent up to 50% of the value of the underlying asset and may be sold into a CMBS transaction. The B-Note will provide credit support to the A-Note and may comprise between 10% and 20% of the senior loan. Any mezzanine financing and equity would typically be subordinate to the B-Note.
- **Mezzanine Loans and Preferred Equity:** Mezzanine commercial mortgage loans are structured as subordinate loans typically secured by an equity interest in the entity that owns the property, and generally produce a return that is fixed or tied to a floating benchmark interest rate and that may depend on the performance of the property. Returns on preferred equity investments generally are dependent upon the performance of the property.
- **Commercial Mortgage Backed Securities:** CMBS are generally multi-class debt or pass through securities backed by a pool of senior mortgages secured by stabilized commercial real property. Such commercial real property may include office, multifamily, industrial, hotel, retail, and other asset types. The Fund invests in investment grade CMBS and non-investment grade CMBS. The non-investment grade bonds are often sold together, known collectively as the "B-Piece" or "Subordinate CMBS" investment.
 - With over \$1 trillion in CMBS outstanding, there is an active secondary market that provides beneficial liquidity, current cashflow, and agility to the Fund portfolios. CMBS are structured and rated AAA through unrated, enabling an investor to elect different risk and yield targets. The pool of stabilized senior loans collateralizing CMBS Trusts typically have lower average loan-to-value ratios than mezzanine loans or preferred equity, an indication of a lower risk profile. Torchlight believes that many CMBS are subject to less credit risk than mezzanine financing or preferred equity while affording equivalent returns. Subordinate CMBS may present "base case" scenario returns comparable to the gross returns of mezzanine real estate funds and real estate private equity funds. Significant barriers to entry may preclude many smaller, conventional commercial real estate investors from participating in the Subordinate CMBS market.
 - Investment Grade CMBS - Investment Grade classes of CMBS (e.g., AAA rated through BBB-rated) have yields that currently range from 2% to 8% and credit enhancement levels that currently range from 6% to 30%. Torchlight believes these bonds often trade at attractive yields when compared to other debt instruments with similar risk profiles.
 - Subordinate CMBS - The Subordinate CMBS investor, as the first to experience losses from payment defaults on the underlying loans of the trust, is allotted certain rights to mitigate the risk to its investment.
 - Negotiate "Kick-outs" – During the acquisition due diligence process, the CMBS sponsor will provide potential Subordinate CMBS buyers with non-public, asset-level information on the proposed loan collateral for the CMBS trust. As a new issue



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Subordinate CMBS buyer, Torchlight has the ability to underwrite each loan and to negotiate for the removal ("kick-out") of lower quality loans from the collateral pool of the trust. This critical tool provides a degree of control over the collateral and the ability to shape the risk profile of the final Subordinate CMBS investment. The ability to negotiate the composition of the collateral pool varies as market demand for Subordinate CMBS ebbs and flows. Torchlight looks to be most active in the Subordinate CMBS market when conditions enhance Torchlight's ability to influence the collateral pool. Torchlight considers the potential to remove lower quality loans from the collateral pool to be important when purchasing CMBS Subordinates and effectively managing risk of the investment.

- **Control of Loan Workouts** – The most subordinate tranche of the trust is also typically designated the "Controlling Class," and in that capacity has the right to appoint the special servicer to the trust. The special servicer is responsible for determining and executing the workout strategy for defaulted loans in the pool. When Torchlight Funds own the Controlling Class, Torchlight expects to appoint its affiliate Torchlight Loan Services as the special servicer, rather than a third party. This enables Torchlight to receive real time updates and provide direct input over the workout process and recovery strategy.
- **Negotiate Governing Terms** – Prior to the issuance of the CMBS trust, the Subordinate CMBS buyer has some ability to negotiate certain terms of the Pooling and Servicing Agreement that governs the CMBS trust, such as approval rights, fees, and loan transfer provisions.

Torchlight has been employing these tools for many years as a successful investor in Subordinate CMBS.

Target Fund Return

The Fund is targeting to achieve 10%-12% net IRRs and 1.3x-1.5x net equity multiples.

Target Fund Size

The Manager is seeking to raise \$1.5 billion in capital commitments for the fund and there is a \$2.25 billion hard cap.

Target Investment Types

The Fund will focus primarily on commercial real estate debt investments.

Target Geographic Focus

Although the Fund may invest up to 15% of committed capital outside the United States, the manager expects to invest 100% diversified across the United States.

Target Deal Size

Consistent with prior funds in the debt series, the Fund will typically make investments in the range of \$5–\$75 million and expects to make 75 to 125 investments. No more than 15% of the outstanding aggregate capital commitments will be invested in a single investment.

Use of Leverage

The Fund has a maximum allowable leverage of 30% of the Fund assets. Individual invests are not expected to be leveraged greater than 60% loan-to-value.

Recycling of Capital

Reinvestment of capital is permitted during the Investment Period.

Environmental, Social, and Governance Considerations

The Firm has a formal ESG policy. As part of ESG policy, the investment team focuses on sustainability-related issues throughout the investment cycle and across its portfolio. Although Torchlight is mindful of



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ESG issues, as an investor that targets predominantly commercial real estate debt investments, the implementation and enforcement of ESG initiatives are typically within the control of the borrower. Torchlight believes that the evaluation of ESG elements can lead to the identification of investment risks as well as opportunities to obtain incremental return for our clients. ESG considerations are incorporated in the day-to-day analysis performed by Torchlight's investment team as part of Torchlight's underwriting and asset management processes. Factors such as environmental, governance, health, safety, human rights and conflict of interests are evaluated during Torchlight's due diligence process. Torchlight believes the consideration of such factors can contribute to cost efficiency and potentially increase profitability of investments.

Torchlight has received a rating of 2 based on NEPC's proprietary ESG Ratings system, where 5 indicates no integration and 1 indicates a best in class approach. The full ESG review is available in **Addendum B**.



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Manager's View of Current Market Conditions

Torchlight believes the current market uncertainty will likely yield significant opportunities over the coming quarters. Torchlight will continue to focus on target markets exhibiting strong fundamentals and will look for opportunities that present strong relative value for investors. Torchlight believes that the current dislocation will afford the Fund with opportunities to invest in:

Public Securities

- Secondary Market CMBS: Seasoned bonds with appealing risk/return profiles where liquidity constrained investors may be forced to sell assets quickly at distressed prices
- Freddie Mac Securities: Improved pricing on multifamily backed bonds as participants are forced to the sidelines
- Primary Market CMBS: Investment grade and subordinate CMBS where loan sellers may be motivated to reduce risk on their balance sheets

Private Investments

- Financing Opportunities: Loans on newly constructed underperforming properties or maturing assets with over-levered bridge loans
- Distressed Note Purchases: First mortgages, subordinate mortgages, mezzanine loans, JV equity and preferred equity positions
- Rescue Capital: Recapitalization for companies with distressed balance sheets or have increased liquidity needs

Expected Fund Investor Base

The Firm's investor base is diverse, including public pension plans, corporate pension plans, endowments and foundations, and other investor types.

Example of Prior Investment

Kichler Lighting Distressed Senior Note. Torchlight identified this senior loan through its monitoring of loans through Torchlight Loan Services. The predecessor fund, Fund V, was able to acquire the loan by exercising a par purchase option (acquiring the loan at par from the CMBS trust). Torchlight acquired the distressed note through a par purchase option for \$24.6 million (\$39 per square foot), a 37% discount to the most recent appraised value of \$39.0 million (\$62 per square foot).

Torchlight believed that the senior loan on the 100% leased, 630,000 square foot industrial building was unlikely to secure financing to retire the outstanding principal balance prior to the balloon payment when the loan was scheduled to mature on July 1, 2017. Torchlight believed that the opportunity stemmed, in part, from a borrowing entity comprised of 22 unaffiliated individuals (tenant-in-common investors) which would be unable to agree on the business plan to refinance the property.

Torchlight believed it had significant downside protection: In 2016, the property produced a net operating income of \$3.1 million, equating to a debt yield of 12.5% and a 1.66x debt-service-coverage ratio. The property was 100% leased; the Cleveland industrial market vacancy was 4.3%. The borrower acquired the property in 2007 for \$35.8 million (\$57 per square foot) as part of a sale-leaseback with the tenant, which has been in occupancy at the property since 1992. The asset serves as the headquarters of Kichler Lighting, one of the largest residential lighting manufacturers in the U.S. with sales of \$393 million and net income of \$42 million in 2016.

Torchlight's business plan was to restructure the loan with the existing borrower or foreclose and take title. The loan had a contractual cashflow of \$16.4 million over the remaining term of the base lease which reduced Torchlight's basis to \$13 per square foot by 2022.

In Q4 2019, the borrower paid off our senior loan in full. Torchlight realized a gross IRR of 12.4% and a gross equity multiple of 1.26x.



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Fund Investment Process

Deal Sourcing

Torchlight sources its investments through a variety of channels. Through its 25-year history as a lender and investor in commercial real estate debt, Torchlight has developed long-standing relationships with a broad network within the commercial real estate industry. These include public and private owner-operators of institutional quality real estate; large scale management companies; trading, origination and capital markets desks at major investment and commercial banks; and a wide array of loan sale, investment sale, and debt and equity advisers and intermediaries.

Market participants recognize Torchlight as a firm that can act thoughtfully and quickly and close efficiently. These strengths often provide the Firm with exclusive negotiating opportunities. In addition, Torchlight's recognition as an experienced investor and lender across the commercial real estate capital structure, combined with the activities of its distressed mortgage workout business, may present the firm with non-brokered opportunities that have not been shopped in the broader market.

Roughly 70% to 75% of the private real estate investments made by Torchlight in Funds IV and V were sourced through direct relationships with either owner-operators (new originations) or original portfolio lenders (note acquisitions) which, in many cases, provide repeat opportunities. The balance of the private investments in Funds IV and V were sourced through broker relationships of Torchlight and debt workout relationships of Torchlight Loan Services.

In 2019, Torchlight screened \$27.4 billion of potential private transactions, of which \$7.5 billion advanced to the review stage of Torchlight's investment process. Of those, Torchlight negotiated and closed on \$422 million of private investments. Torchlight evaluates most U.S. CMBS issuance (\$97.8 billion was issued in 2019).

Investment Process

Initial Review

The team meets on a weekly basis to review and discuss potential investment opportunities. At the preliminary stage, a proposed investment package is received from the seller or borrower and usually includes a transaction description, asset summaries and an electronic data file. This information is analyzed using Torchlight's proprietary research and underwriting. A potential investment's impact on portfolio diversification and its correlation with the portfolio's existing return and volatility is also considered. If the potential transaction meets the risk/return objectives of the Fund, the due diligence process begins.

Full Due Diligence and Deal Structuring

Torchlight conducts detailed due diligence that includes:

- Real Estate Level Review – Torchlight's fundamental real estate analysis involves submarket research, site inspections, rent roll reviews, operating statement analysis, borrower or key principal credit analysis, review of third-party reports, including appraisals, engineering reports, and environmental reports, and other idiosyncratic underwriting processes as determined on an asset-by-asset basis.
- Analysis of the Investment Structure – Concurrent with an underlying collateral review, Torchlight analyzes the related investment structure and credit enhancement (if any). The transaction is modeled so that cash flows scenarios can be evaluated at the property-level and, when evaluating securities, at the deal-level. Loan-level and (in the case of securities) tranche-level cash flow projections are generated on which to base a pricing analysis of the proposed investment.
- Sensitivity and Stress Analysis – Torchlight's investment model is then used to generate various scenario analyses that stress underlying property metrics and the economic environment. Torchlight models a minimum of three scenarios: a downside case (i.e., a recession scenario with higher



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vacancy, lower rents and higher cap rates), an upside case, and the base case, which reflects Torchlight's opinion of the expected performance of individual properties and mortgages under stable conditions, and the resulting loss-adjusted return from the related investment.

- Legal Analysis – Torchlight reviews pertinent legal documents with counsel to ensure the targeted transaction's framework is sound and provides adequate investor protections and control rights. In particular, Torchlight reviews representations and warranties from the seller or borrower, remedies for breaches of representations and warranties by the seller or borrower and procedures for special servicing of defaulted mortgage loans.

Investment Committee Approval

The Investment Committee meets weekly. The Firm's Investment Committee consists of five members who vote by majority:

- Samuel Chang, Partner – Investment Management
- Greg Dineen, Chief Credit Officer
- Daniel Heflin, Partner – Chief Executive Officer, Co-Investment Officer
- Gianluca "Luca" Montalti, Partner – Asset Manager
- Marc Young – Partner, Co-Investment Officer

Please see **Addendum A** for the biographies of the key professionals.

Exit

Each proposed investment is first considered on a hold to maturity basis. Torchlight must be comfortable with holding a debt investment to maturity even if the expected strategy is to sell the investment before maturity.

The exit strategies that Torchlight will employ for the Fund investments will largely depend on the market conditions surrounding the Fund's investments. Torchlight will evaluate relevant market data such as market spreads, liquidity, real estate debt market conditions, and other financial and economic factors, in order to maximize returns. The primary exit strategies that Torchlight will likely consider include:

- Sell after seasoning: Under this strategy, the Fund would retain select investments for a period of time during which the Fund would receive current income while its investments and/or the underlying collateral would stabilize or improve, thereby increasing the credit enhancement and/or reducing the associated risk premium. A sale would be considered as the investment stabilizes and/or as market conditions improve.
- Recapitalization/Resecuritization: This approach utilizes a financing vehicle as an exit strategy for the Fund. Some or all of the Fund's investments would be financed (e.g., recapitalized) and the net proceeds would be distributed to the Fund. Whether the Fund would be able to successfully employ this strategy would largely depend on (a) the debt and capital market conditions at the particular time, (b) developments in rating agency approaches, and (c) the credit performance of the Fund's investments. This strategy could be employed one or more times with respect to portions in the Fund's portfolio.
- Hold-to-maturity: Under this scenario, all or a portion of the Fund's debt investments would be held until their respective maturities.
- Portfolio sale: In certain market environments, the potential may exist to sell all or a portion of the Fund's entire portfolio at an attractive valuation to a large strategic buyer that is interested in entering the market or seeking additional exposure to the asset class.

Value Creation

Portfolio assets are monitored on an ongoing basis and are re-evaluated at least quarterly to identify any material changes. Torchlight's ongoing fundamental credit surveillance tracks and analyzes factors that are



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critical to the investment's expected performance. These may include reviews of market analysis, site inspections, rent roll reviews, operating statement analysis, borrower or key principal credit analysis, review of third-party reports, including appraisals, engineering reports, environmental reports and other underwriting processes.

In this process, Torchlight may also evaluate relevant market data such as market spreads, liquidity, real estate debt market conditions, and other financial and economic factors, in order to maximize returns on Fund investments. Additional analysis on suitable replacement investments will be performed concurrently with this process. This data and analysis drive the decision to hold or sell an investment.

Assets that are meeting or exceeding Torchlight's expectations may be positioned for disposition.

Assets that are considered to have the potential to underperform are evaluated closely by the asset management team. Torchlight evaluates the credit of the underlying real estate assets, cashflow implications affecting the yield, the payback period, and recovery potential. For private real estate assets, Torchlight may work with the borrowers or property managers to consider alternative business plans which may include repositioning, debt restructuring or in some case, foreclosure.

Following a full analysis of the position and alternatives, if the projected deterioration causes the position to fail to meet the requirements of the Fund, Torchlight will look to sell the position. If a determination is made that an investment needs to be sold, the most common method of sale is to ask multiple broker/dealers to simultaneously bid on the asset. Once all bids are received, portfolio managers review the highest bids to see if they meet the Fund's target sale level. Dispositions of private real estate and CMBS disposition strategies are presented to the Investment Committee for approval.

Risk Mitigation

Each investment undergoes extensive due diligence prior to acquisition. When originating commercial real estate loans, Torchlight negotiates appropriate oversight and rights to approve important decisions, as well as rights and remedies that enable Torchlight to force change of management or obtain control of the property in the event that the borrower violates loan covenants. Safeguards may range from covenants to meet minimum performance thresholds to personal recourse against individuals for specific acts of the borrower. Common covenants include minimum debt-service-coverage ratios, minimum debt yields, minimum net operating incomes and minimum occupancy. These tools serve the additional purpose of easing the path to obtaining title should such action prove necessary.

Torchlight focuses on investments with embedded risk-mitigators such as high cash flows, favorable credit enhancement (either structurally or through the collateral's positioning), effective control rights, other investor protections and optionality.

The Manager seeks to blend investments with varying degrees of risk and return in order to meet the risk-reward objectives of the Fund.



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Fund Economics

Management Fee

The Fund's standard marketed annual management fee is 150 basis points, charged on committed capital during the investment period and on invested capital thereafter. Fee discounts may be available to investors based on commitment amount or other considerations.

Distribution Waterfall

The distribution waterfall is calculated on a portfolio basis (i.e., European style).

1. First, 100% to the limited partners until they have received distributions equal to their capital contributions.
2. Second, 100% to the limited partners until they receive an 8% cumulative compounded annual preferred return on their capital contributions.
3. Third, 50% to the limited partners and 50% to the General Partner until the General Partner has received 20% of the non-return-of-capital distributions.
4. Thereafter, 80% to the limited partners and 20% to the General Partner.

Other Fees and Expenses

The Fund will bear all legal, organizational and offering expenses up to \$2.25 million. The Fund may utilize the services of its affiliate, Torchlight Loan Service, a nationally rated special servicer which provides loan servicing, distressed loan workout, and property asset management services.

Sponsor's Investment

Torchlight will invest 1% of the committed capital up to \$10 million.



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Fund Administration, Structure and Policies

Firm Office Locations

Torchlight Investors is located at 280 Park Avenue, New York, NY 10017.

Fund Structure

The Fund will be structured as a Delaware Limited Partnership.

ERISA Provisions

The Fund intends to avoid being considered to hold plan assets for the purpose of ERISA. Torchlight is a Qualified Professional Asset Manager (QPAM) under ERISA (although, Torchlight does not manage plan assets at the present time).

UBTI Considerations

The General Partner anticipates that it will make investments that may generate UBTI. Tax-exempt investors may invest through a feeder fund that is expected to block most UBTI.

Labor Policy

The Firm does not have a labor policy.

Key Person Provision

In the event that there are not at least three Approved Executive Officers, one of whom must be either Daniel Heflin or Marc Young (or an approved successor), involved in the management of the Partnership on a day to day basis, for any reason (including the sustained illness, disability or termination of employment of a Key Executive Officer on a full-time basis) the Fund shall cease to make any new investments other than Pending Investments and Follow-on Investments.

If the General Partner has proposed a substitute individual or individuals to the Advisory Committee within 90 days, and the Advisory Committee has approved such substitution within 90 days of such proposal, the Commitment Period will be resumed.

GP Removal Provisions

The General Partner may be removed (a) without cause by the affirmative consent of 75% in interest of the Limited Partners at any time, provided that a substitute General Partner has been approved by a 75% in interest of the Limited Partners; and (b) with cause by the affirmative consent of a majority vote of the Limited Partners.

LP Advisory Committee

The Manager shall establish an Advisory Committee consisting of no more than nine full voting members and no less than five.

Valuation Policy

The Torchlight valuation policy is in accordance with FASB requirements. The Fund holdings are valued in accordance with FASB and audited annually by PricewaterhouseCoopers LLP in conjunction with the annual fund audit.

In general, valuations are based on best available information, including, in order of priority, most recent market prices, third-party valuations (e.g., appraisals or quotations from dealers) in the absence of recent market transactions, and recent sales on comparable assets in the absence of third-party valuations.

Current Litigation

Torchlight reports no significant litigation pending. The only legal proceedings affecting Torchlight and its affiliates are those typically associated with managing a large portfolio of real estate. Richard Metsch is the Chief Compliance Officer. Corporate legal services are provided externally by Shearman & Sterling LLP.



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Neither the Firm nor the General Partner have ever been charged or convicted of a felony crime, including fraud by the SEC or any other regulatory agency.



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Addendum A: Key Fund Professionals

Detailed Biographies – Investment Team

Employee Bios		
Name		
Brian Arment	Brian is a Senior Vice President in the asset management and credit group. He has 20 years of professional experience. Prior to Torchlight, Brian worked at Allgemeine HypothekenBank Rheinboden AG, Hypo Real Estate and Robertson Stephens.	
	Education	Brian holds a BA from the University of Massachusetts.
Scott Barsky	Scott is a Vice President in the investor relations group. He has 11 years of professional experience. Prior to Torchlight, Scott worked at Bank of America Merrill Lynch.	
	Education	Scott holds a BA from the University of Virginia.
Gregory Breskin	Greg is a Senior Vice President in the investment management group. He has 32 years of professional experience. Prior to Torchlight, Greg worked at Ossipee Capital, WestRiver Capital Management, Brookfield Asset Management, Ocwen Financial Corporation and John Alden Life Insurance Corporation.	
	Education	Greg holds an MBA from the University of Miami and a BA from the University of Richmond.
Michael Butz	Mike is a Partner in the investment management group and a member of the Operating Committee. He has 25 years of professional experience. Prior to Torchlight, Mike worked at Hypo Real Estate, Morgan Stanley and Nomura Securities.	
	Education	Mike holds a BS from Lehigh University.
Samuel Chang	Sam is a Partner in the investment management group as well as a member of the Investment and Operating Committees. He has 21 years of professional experience.	
	Education	Sam holds a BS from Columbia University.
Robert Del Monaco	Bob is a Senior Vice President and the Chief Financial Officer of Funds. He has 20 years of professional experience. Prior to Torchlight, Bob worked at Czech Asset Management, FrontPoint Partners, Archeus Capital Management, GlobeOp Financial Services and Long-term Capital Management. Bob is a Certified Public Accountant in the State of New Hampshire.	
	Education	Bob holds an MS from Baruch College – City University of New York and a BS from Sacred Heart University.
Irina Devane	Irina is a Senior Vice President in the financial control group. She has 14 years of professional experience. Prior to Torchlight, Irina worked at Ride Safely.	
	Education	Irina holds a BA from Touro College.
Greg Dineen	Greg is the Chief Credit Officer in the asset management and credit group and a member of the Investment Committee. He has 17 years of professional experience. Prior to Torchlight, Greg worked at B2R Finance, Guggenheim Partners and Credit Suisse.	
	Education	Greg holds a BS from Villanova University.
Felipe Dorregaray	Felipe is a Partner and Chief Operating Officer as well as a member of the Operating Committee. He has 23 years of professional experience. Prior to Torchlight, Felipe worked at The Carlyle Group / Metropolitan Real Estate Equity Management, LLC, ABN AMRO, Inc., and Salomon Smith Barney, Inc.	
	Education	Felipe holds an MBA from the American University and a BS from the University of Miami.



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Employee Bios		
Name		
Bradley Erlich	Brad is a Vice President in the asset management and credit group. He has 12 years of professional experience. Prior to Torchlight, Brad worked at Bear Stearns.	
	Education	Brad holds a BA from the University of Pennsylvania.
Wayne Gavioli	Wayne is a Senior Vice President in the investment management group. He has 11 years of professional experience.	
	Education	Wayne is a CFA Charterholder and holds an AB from Harvard University.
Daniel Greenholtz	Dan is a Vice President in the asset management and credit group. He has 15 years of professional experience. Prior to Torchlight, Daniel worked at CWC Capital and SNS Property Finance.	
	Education	Daniel holds a BA from University of Maryland.
Daniel Heflin	Dan is a Partner, Chief Executive Officer and a co-Chief Investment Officer as well as a member of the Investment and Operating Committees. Dan was the Founder of Torchlight and has 32 years of professional experience. Prior to Torchlight, Dan worked at Ocwen Financial Corporation, Credit Suisse and Arthur Andersen LLP. Dan is a Certified Public Accountant in the State of New York.	
	Education	Dan holds an MS from the London School of Economics and Political Science and a BA from Texas Christian University.
Angela Johnson	Angela Johnson is a Senior Vice President in the investor relations group. She has 14 years of professional experience. Prior to Torchlight, Angela worked at KKR, Partners Group, RLJ Development (RLJ Lodging Trust) and Merrill Lynch.	
	Education	Angela holds an MBA from Harvard Business School and a BBA from the University of Texas at Austin.
Heidi Kaufman	Heidi is a Senior Vice President in the investor relations group. She has 15 years of professional experience. Prior to Torchlight, Heidi worked at H/2 Capital Partners and Hypo Real Estate	
	Education	Heidi holds a BS from Saint Thomas Aquinas College.
Robert Kopchains	Bob is a Partner in the investor relations group as well as a member of the Operating Committee. Bob has 28 years of professional experience, including 21 in the financial services industry. Prior to Torchlight, Bob worked at American Express TRS Company.	
	Education	Bob holds an MBA from New York University and a BA from Middlebury College.
Abbey Kosakowski	Abbey is a Senior Vice President in the acquisitions group. She has 24 years of professional experience. Prior to Torchlight, Abbey worked at JPMorgan, Lehman Brothers and as a practicing attorney.	
	Education	Abbey holds a JD and BS from the University of Florida.
Daniel Lockwood	Daniel is a Senior Vice President in the investment management group. He has 20 years of professional experience. Prior to Torchlight, Daniel worked at World Class Capital Group, Guggenheim Partners, Zurich Alternative Management, and Credit Suisse.	
	Education	Daniel holds a BA from Pennsylvania State University.
Gianluca Montalti	Luca is a Partner in the asset management and credit group as well as a member of the Investment and Operating Committees. He has 22 years of professional experience. Prior to Torchlight, Luca worked at Investcorp International, Greenstreet Real Estate Partners and LaSalle Investment Management.	
	Education	Luca holds an MBA from the University of Chicago and a BBA from the University of Michigan.



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Employee Bios		
Name		
John Pittenger	John is a Vice President in the asset management and credit group. He has 13 years of professional experience. Prior to Torchlight, John worked at BlackRock.	
	Education	John holds an MBA from Rutgers University and a BA from Franklin & Marshall College.
Michael Romo	Mike is a Partner in the investor relations group as well as a member of the Operating Committee. He has 24 years of professional experience. Prior to Torchlight, Mike worked at Hawkeye Partners and Giuliani Partners.	
	Education	Mike holds a BBA from Southern Methodist University.
Brian Sedwitz	Brian is a Vice President in the investment management and acquisitions group. He has 10 years of professional experience. Prior to Torchlight, Brian worked at K2 Advisors and Fannie Mae.	
	Education	Brian is a CFA Charterholder and holds a BS from Georgetown University.
Jonathan Stein	Jon is a Senior Vice President in the investment management and acquisitions group. He has over 15 years of professional experience. Prior to Torchlight, Jon worked at Allegiant Real Estate Capital, Realty Finance Trust, Brookfield Asset Management and Credit Suisse.	
	Education	Jon holds an MBA from Columbia Business School, a JD from Georgetown University and a BA from Harvard University.
Marc Young	Marc is a Partner, a co-Chief Investment Officer as well as a member of the Investment and Operating Committees. He has 26 years of professional experience. Prior to Torchlight, Marc worked at CWC Capital and AIG Global Investments.	
	Education	Marc holds an MBA from Temple University and a BS from Pennsylvania State University.
Jennifer Yuen	Jen is a Partner in the investor relations group. She has 21 years of professional experience as well as a member of the Operating Committee. Prior to Torchlight, Jen worked at Credit Suisse and Deutsche Bank.	
	Education	Jen holds an MBA and a BS from New York University.



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Addendum B: ESG Rating

RATING OUTPUT

General Fund Information		Evaluation Criteria and Commentary	
Firm	Torchlight Investors, LLC	Firm-Level	
Fund	Torchlight Debt Opportunity VI, LP	Firm-Level Commitment	Torchlight supports community organizations that help to foster educational and professional opportunities for underrepresented individuals, including: PREA Foundation, Toigo Foundation, Coalition for the Homeless, College Education treks, and Breakthrough New York.
Strategy-Type	Real estate debt	Resources	The Firm does not dedicate a single person to ESG oversight.
Firm AUM	\$3.1 billion	Engagement Policies	Torchlight integrates its ESG review throughout the investment process from acquisition through disposition.
Strategy AUM	\$3.1 billion	Strategy-Level	
Portfolio Managers	Daniel Heflin and Marc Young	Overview	Torchlight believes that ESG considerations are important. However, the Firm does not pass on deals because of weak ESG policies of a borrower or weak implementation at the asset level.
ESG Rating		Integration Process	ESG considerations are incorporated in the day-to-day analysis performed by Torchlight's investment team as part of Torchlight's underwriting and asset management processes. Factors such as environmental, governance, health, safety, human rights and conflict of interests are evaluated during Torchlight's due diligence process. .
ESG 2		Resources	Torchlight does not have any dedicated resources. However, all professionals are responsible for following the Firm's ESG guidelines.
Analyst Opinion			
<p>Torchlight has a formal ESG Policy, which is used throughout its investment process. Torchlight believes that responsible stewardship of an investment includes the advancement of ESG principles where consistent with the underlying investment objective. In addition to good corporate citizenship, Torchlight believes that the evaluation of ESG elements can lead to the identification of investment risks as well as opportunities to obtain incremental return for its clients.</p>			

ESG Ratings are on a scale of 1 through 5, with 1 indicating a best in class approach and 5 indicating no integration.



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Disclaimers and Disclosures

- Past performance is no guarantee of future results.
- The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.
- Information used to prepare this report was obtained directly from the investment manager. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- NEPC may provide background information on fund structures or the impact of taxes but you should contact your legal counsel or tax professional for specific advice on such matters.
- This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

In addition, it is important that investors understand the following characteristics of non-traditional investment strategies including hedge funds, real estate and private equity:

1. Performance can be volatile and investors could lose all or a substantial portion of their investment
2. Leverage and other speculative practices may increase the risk of loss
3. Past performance may be revised due to the revaluation of investments
4. These investments can be illiquid, and investors may be subject to lock-ups or lengthy redemption terms
5. A secondary market may not be available for all funds, and any sales that occur may take place at a discount
6. These funds are not subject to the same regulatory requirements as registered investment vehicles
7. Managers may not be required to provide periodic pricing or valuation information to investors
8. These funds may have complex tax structures and delays in distributing important tax information
9. These funds often charge high fees
10. Investment agreements often give the manager authority to trade in securities, markets or currencies that are not within the manager's realm of expertise or contemplated investment strategy



Torchlight Investors

December 2020



Disclaimer

The information contained within is intended for one-on-one discussion purposes only, is subject to clarification during such discussion, and may not be relied upon for any other purpose. The information contained herein is confidential.

This is not an offer to sell or a solicitation to buy any security, investment product or any advisory service, nor do these materials constitute investment advice. Investments in our sponsored funds are offered pursuant offering memoranda that are available from us upon request. Those documents contain important information about a fund's investment risks, fees and expenses and should be reviewed carefully in connection with any decision to invest. Any reproduction or use of this information in whole or in part, is prohibited other than with prior written approval of Torchlight Investors, LLC ("Torchlight Investors" or "Torchlight").

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Performance of specific assets is presented on a gross basis without taking into account the effect of fund-level management and incentive fees, or other fund-level expenses. Had such other expenses been included, the indicated returns would be lower. Additional information on fees are described in Torchlight's Form ADV and in the offering documents of the fund. Case studies are summary in nature and do not necessarily include all material details.

Fund-level IRRs and equity multiples are net of fees and expenses; investor-level returns may vary, depending on timing of subscription and potential taxes specific to the investor. Fund-level IRR and equity multiple calculations include capital contributions from non-fee-paying investors (GP and affiliates); these contributions account for less than 1% of committed capital and do not materially affect the Fund's reported net returns. Actual returns of investors may be materially lower than those projected depending upon the extent and manner in which actual market, economic and asset specific conditions vary from Torchlight assumptions. Projections involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. Projections are inherently subjective and may be based on information that has been obtained from third-party sources and has not been verified by Torchlight. There can be no assurance that the projected performance will ultimately be achieved by the Torchlight funds or specific assets.

Each fund described herein is or was managed as a separate portfolio with its own investments, objectives, policies and risks. Accordingly, performance of the funds described herein may not be an appropriate source of comparison for other Torchlight Funds. Additional information related to the methodology used herein, or the specific positions in the portfolio, will be provided upon request. The earlier funds in the Debt Fund series were named "Torchlight Debt Opportunity Fund" and are referred as "Torchlight Debt Funds" for consistency.

Disclaimer

Certain information discussed in this presentation, including references to estimated investment returns, constitutes forward-looking statements within the meaning of U.S. federal securities law. Although Torchlight believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. Among other matters, Torchlight has made various assumptions regarding interest rates, market cycles, default rates, commercial real estate fundamentals and correlations among them. Forward-looking information is subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those predicted. In particular, no assurance can be offered that any estimated investment return expectation will be achieved or that any referenced investment strategy will be implemented successfully. This presentation is intended to be viewed solely by a sophisticated investor who has, or together with the investor's professional adviser, has significant experience in real estate-related assets. Any person reviewing this presentation is encouraged to discuss the limitations of this presentation, especially those relating to Torchlight's assumptions and relevant risks and uncertainties, both with Torchlight's representatives and any professional advisers retained by the reviewer.

Torchlight undertakes no obligation to update these materials.

Scenario Assumptions

The Torchlight Base Case and Downside scenarios are based upon assumptions and analysis regarding future events and conditions as described below. The Base Case makes assumptions about the timing and nature of the economic recovery from the COVID-19 pandemic and assumes the economic environment, credit markets and real estate fundamentals are relatively stable following recovery. The Downside scenario is not intended as a worst-case scenario but rather is based on projections, estimates and assumptions that are less favorable than Torchlight's Base Case assumptions, including assumptions related to the economic recovery from the COVID-19 pandemic. Actual performance can be lower than the Downside scenario.

The market values of publicly traded securities are based on information from one or more of the following sources: quotations from dealers, third party pricing services and market transactions of comparable securities. The market values of private assets are based on a methodology which uses comparable market data specific to the underlying loans and properties such as market capitalization rates, market rents, vacancy levels, etc. To the extent an asset is illiquid or otherwise difficult to value, we may apply our judgment and in reaching a valuation. Such values may differ from the values that would have been determined had a broader market for the assets existed and the differences could be material. This is particularly true in light of the uncertainties surrounding the COVID-19 pandemic.

Projections are based upon certain assumptions and analysis regarding future spreads, default rates, interest rates, market trends and industry trends, as well as factors relating to specific assets, such as an individual property's most recent operating statements and lease rollover information. Reviews of individual assets are used to adjust baseline assumptions made by Torchlight regarding cap rates, rental rates and vacancy rates among different property types. In the analysis Torchlight may consider the likelihood and severity of mortgage default, extensions of maturity and future investment activity.

The targeted return for Torchlight Debt Fund VII does not represent a projection of the returns that will be achieved by investors in Fund VII. Rather, it represents the returns that Torchlight believes can be achieved under Torchlight's Base Case scenario in light of the Fund's investment strategy.

Presenter Biographies



Daniel Heflin

Partner, Chief Executive Officer, Co-Chief Investment Officer

Daniel Heflin is the Chief Executive Officer and Co-Chief Investment Officer of Torchlight Investors. He is a member of the Investment and Operating Committees of the firm. In 1995, Mr. Heflin founded Torchlight Investors, an independent SEC-registered investment advisor. Under Mr. Heflin's management, Torchlight has acquired over \$25 billion in commercial real estate investments and currently manages over \$3.3 billion in capital. Torchlight has sponsored nine investment funds for institutional clients in opportunistic, value-add and hedge fund strategies for institutional investors, including public and corporate pension funds, endowments and foundations, and sovereign wealth funds. Mr. Heflin's professional career includes over 33 years of fixed income and real estate experience. Prior to Torchlight, Mr. Heflin held positions at Ocwen Financial Corporation, Credit Suisse and Arthur Andersen LLP. While with Arthur Andersen, Mr. Heflin received his Certified Public Accountant license in the State of New York. He holds an MS from the London School of Economics and Political Science and a BBA from Texas Christian University.



Michael Butz

Partner, Managing Director

Michael Butz is a Partner and Managing Director in the investment management and acquisitions group as well as a member of the Operating Committee. He has 26 years of professional experience. Mr. Butz is highly experienced in sourcing, structuring, acquiring and investing in senior and subordinate mortgages, mezzanine debt, preferred equity, and joint venture equity. Mr. Butz was previously with Hypo Real Estate Capital Corporation where he originated over \$4 billion of financing transactions for Hypo's balance sheet. Prior to Hypo, Mr. Butz worked primarily within the CMBS lending industry including the fixed income divisions of Morgan Stanley, GMAC Commercial Mortgage and Nomura Securities. Mr. Butz holds a BS in Business and Economics from Lehigh University – College of Business and Economics.



Jennifer Yuen

Partner, Managing Director

Jennifer Yuen is a Partner and Managing Director in the Investor Relations group. She has 22 years of professional experience. Ms. Yuen is on the Board of Directors, as well as a member of the Operating Committee of the firm. Prior to Torchlight, Ms. Yuen worked at Credit Suisse in fixed income structured product sales, covering commercial mortgage backed securities, residential mortgage backed securities and asset backed securities. Ms. Yuen also worked in Deutsche Bank in domestic equities. Jen holds an MBA in Finance and International Business and a BS in Finance and Information Systems from New York University Stern School of Business.

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Unless otherwise noted, all information is as of the date of this presentation and the source of information is Torchlight Investors.

Date of presentation: 12/14/20

Torchlight Investors Overview

Section I



Firm Overview

Firm

1995: Company is founded
 1998: Special Servicing platform is formed
 2002: ING purchases 40% of Torchlight
 2010: Management buys back ING stake
 Present: Torchlight is 100% employee owned

- \$3.9 billion in assets under management
- Investment Types
 - Mortgages and mezzanine loans
 - Preferred equity
 - Equity
 - CMBS
- Distressed Debt Workout
 - Workout of 709 loans since inception with a total par amount of \$11.1 billion
 - Management of 232 properties since inception totaling \$2.3 billion of real estate equity

Torchlight Representative Investor List

Arkansas Teacher Retirement System
 CenturyLink Investment Management Company
 Clal Insurance Company
 Employees' Retirement System of the State of Hawaii
 Employees' Retirement System of Texas
 Houston Firefighters' Relief and Retirement Fund
 Illinois Municipal Retirement Fund
 Laborers' Pension Fund of Chicago
 Los Angeles Water and Power Employees' Retirement Plan
 Nebraska Investment Council
 New York City Retirement Systems
 San Diego City Employees' Retirement System
 State Board of Administration of Florida
 State of Wisconsin Investment Board
 Sutter Health
 Texas Municipal Retirement System
 Texas Treasury Safekeeping Trust Company
 United Food and Commercial Workers International Union
 West Virginia Investment Management Board

The information above is as of 9/30/20.

The investors above were included in this list because they have recently invested in Torchlight sponsored funds and permit Torchlight to disclose their names. It is not known whether the investors listed above approve or disapprove of the advisory services provided by Torchlight Investors. Less than 0.5% of Torchlight is owned by a former colleague.

Torchlight Investment Strategy

Torchlight executes a U.S. value-add strategy focused on four key principles



Sourcing Advantage

- Networks developed over two decades
- Special servicer relationships

High Current Income

- Target income producing assets
- Target high cash-on-cash yield

Downside Mitigation

- Attractive basis
- Defensive structuring
- Prudent leverage

Upside Optionality

- Minimum multiple
- Opportunistic exit strategies
- Upside participation

Torchlight Institutional Fund Strategies

Value Add Fund Series				Performance To Date		
Fund Name	Vintage	Fund Size (\$MM) ¹	Stage	Net Income Return	Net Equity Multiple ²	Net IRR ²
Debt Fund I	2003	\$280	Realized	13.5%	1.54x	25.1%
Debt Fund II	2006	\$730	Realized	3.9%	0.91x	-1.2%
Debt Fund III	2008	\$760	Realized	11.1%	1.54x	13.7%
Debt Fund IV	2012	\$940	Harvesting	7.8%	1.43x	9.8%
Debt Fund V	2015	\$1,360	Harvesting	8.4%	1.26x	10.4%
Debt Fund VI	2017	\$1,680	Investing	3.0%	1.00x	0.0%
Debt Fund VII	2020	\$1,720	Investing	Not Yet Meaningful ³		

Other Strategies

Fund Name	Vintage	Fund Size (\$MM) ¹	Stage	Risk Profile ⁴	Net Equity Multiple ²	Net IRR ²
Value Fund ⁶	1995	\$78	Open End Fund	Liquid Securities	5.57x	6.9%
Gramercy Fund	1996	\$330	Realized	Moderate - Levered / Hedged	2.75x	9.6%
Solomer Fund	2005	\$500	Realized	Opportunistic Short Only	2.52x	60.0%
Aeterno Fund	2005	\$400	Realized	Market Neutral	1.99x	8.0%

Past performance is not indicative of future results. The funds shown had separate portfolios, investment objectives and risk profiles and therefore are not indicative of how other Torchlight funds will perform. The table includes only products for third party, institutional investors and excludes customized accounts. Returns of investors within a fund will vary due to specific factors such as management fee rates, taxes and timing of subscriptions. Debt Fund IV and Debt Fund V utilized subscription line financing during their respective investment periods which has had a positive effect on Fund-level returns. Debt Fund VI utilized subscription line financing during its investment period which has had a negative effect on its Fund-level return.

- (1) Fund Size represents the peak Net Asset Value (NAV) for Gramercy and Aeterno and the NAV for the Torchlight Value Fund (Master), LLC as of September 30, 2020. Fund Size represents capital committed to Debt Funds I, II, III, IV V, and VI. For Debt Fund VII, Fund Size represents capital committed as of November 1, 2020. For Solomer, Fund Size represents investor capital commitments of \$500 million, of which \$70 million was contributed to serve as collateral for a leveraged, synthetic portfolio. Fund sizes are rounded to the nearest \$10 million.
- (2) For Gramercy Fund and Aeterno Fund (which were open ended) equity multiple since inception are based on a hypothetical investment made at the inception of the fund and held for the term of the fund, and the IRR represents the annualized net return. For Torchlight Value Fund (which is open ended) equity multiple is based on a hypothetical investment in Torchlight Value Fund, LLC at its inception in 1995 through December 31, 2019, and the IRR represents the annualized net return of Torchlight Value Fund, LLC through December 31, 2019 (combined with Torchlight Value Fund (Master), LLC from its inception in December 2019 through September 30, 2020). IRR and equity multiple for Solomer are calculated by reference to capital contributions of \$70 million. IRRs and equity multiples for Partially Realized Funds are as of September 30, 2020.
- (3) The investment period for Debt Fund VII ends September 30, 2024.
- (4) Reflects generally the risk profile targeted by Torchlight for the Fund's portfolio as a whole.
- (5) The "Torchlight Value Fund" is a recently-formed master-feeder structure in which the Torchlight Value Fund (Master), LLC serves as the master fund. The Torchlight Value Fund follows the investment strategy employed by the Torchlight Value Fund, LLC, an investment vehicle that was managed continuously by Torchlight from 1995 through 2019. The track record of the Torchlight Value Fund represents the performance of the Torchlight Value Fund, LLC from its inception in 1995 through December 31, 2019 combined with the performance of the Torchlight Value Fund (Master), LLC from its inception in December 2019 to date.

Torchlight Positioning

Torchlight pursued more defensive investments as the cycle lengthened

Observation		Approach		Execution
Market participants taking more risk	➡	Target stabilized assets	➡	75% Of investments were in senior loans and IG CMBS since January 2019
Constrained multifamily supply	➡	Target cash flowing multifamily	➡	82% Of direct investments were in multifamily since January 2018
Oversupply of hotels and rise of e-commerce	➡	Avoid hotel and retail	➡	2016, 2017 Last direct hotel and retail investment
Increasing number of buyers of subordinate CMBS	➡	Avoid subordinate CMBS deals	➡	2018 Last new-issue subordinate conduit CMBS investment

Commercial Real Estate Markets

Section II



COVID-19 Economic Implications

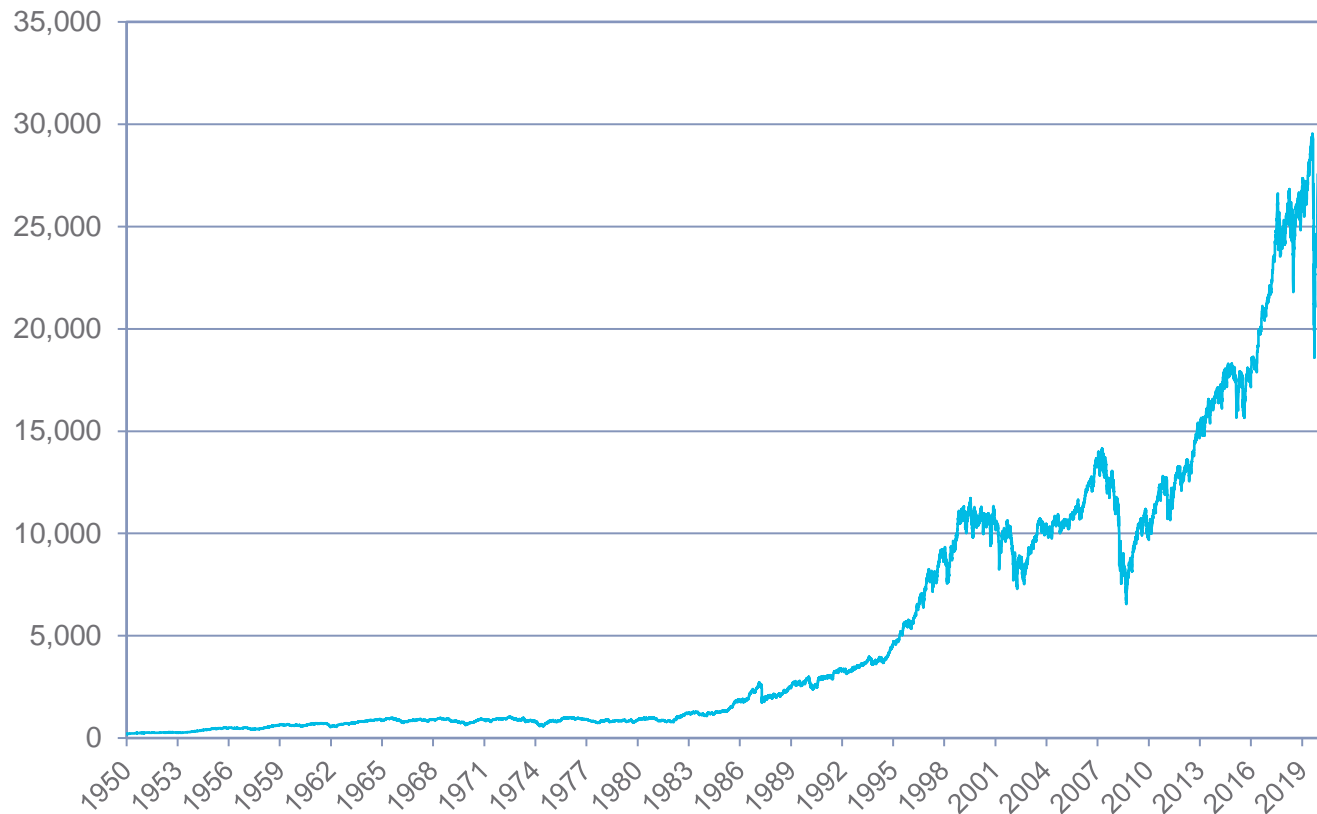
Since March, COVID-19 has infected millions of people worldwide, bringing economic uncertainty

Initial Market Shock	
Equity Markets Plummet	-35% January 1, 2020 to March 23, 2020
Significant Job Losses	14.7% Unemployment Rate
Reduced Travel	-80% Drop in RevPar (YOY)
High-Yield Drops Significantly	-22% (Value Drop) Spreads Widen 764 basis points

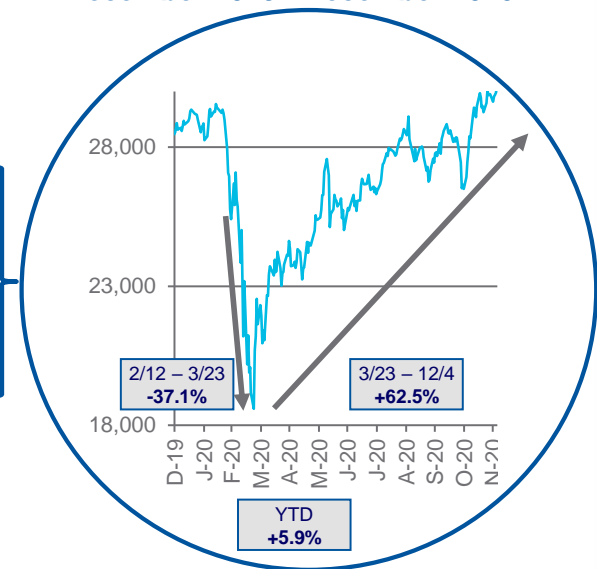
Source: S&P Dow Jones Indices, U.S. Bureau of Economic Analysis, U.S. Department of Labor, Bureau of Labor Statistics, Smith Travel Research
High Yield Corporate Bond Spreads represent Option Adjusted Spread to Treasuries

Equity Markets

Dow Jones Industrial Average (July 1950 through December 2020)



December 2019 - December 2020

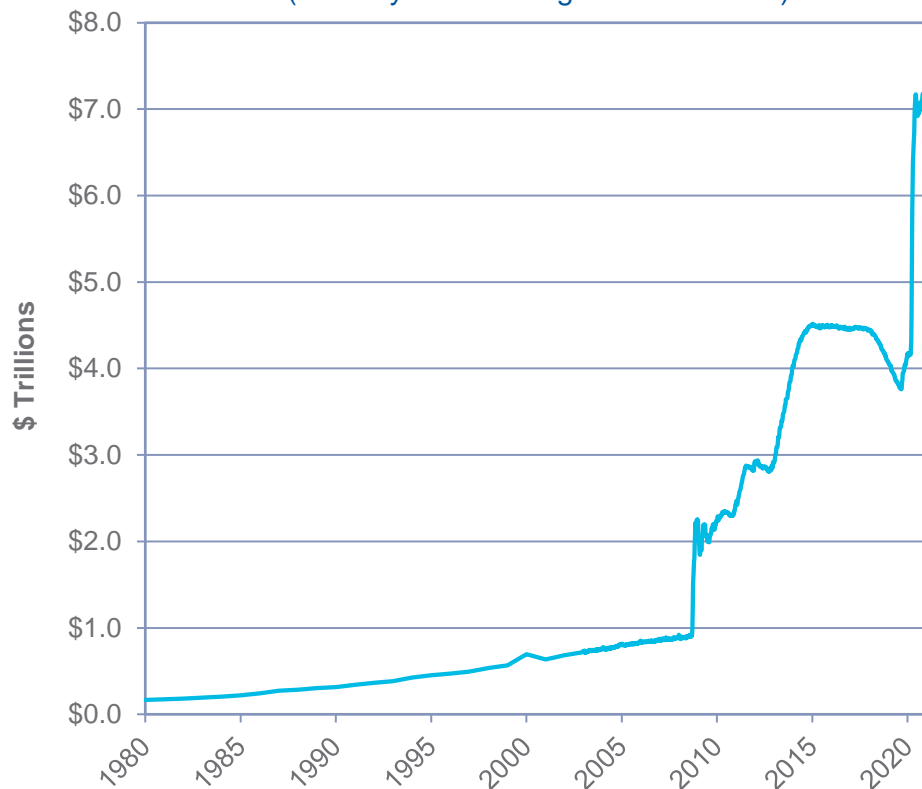


As of 12/04/20
Historical data is not adjusted for inflation.
Source: S&P Dow Jones Indices

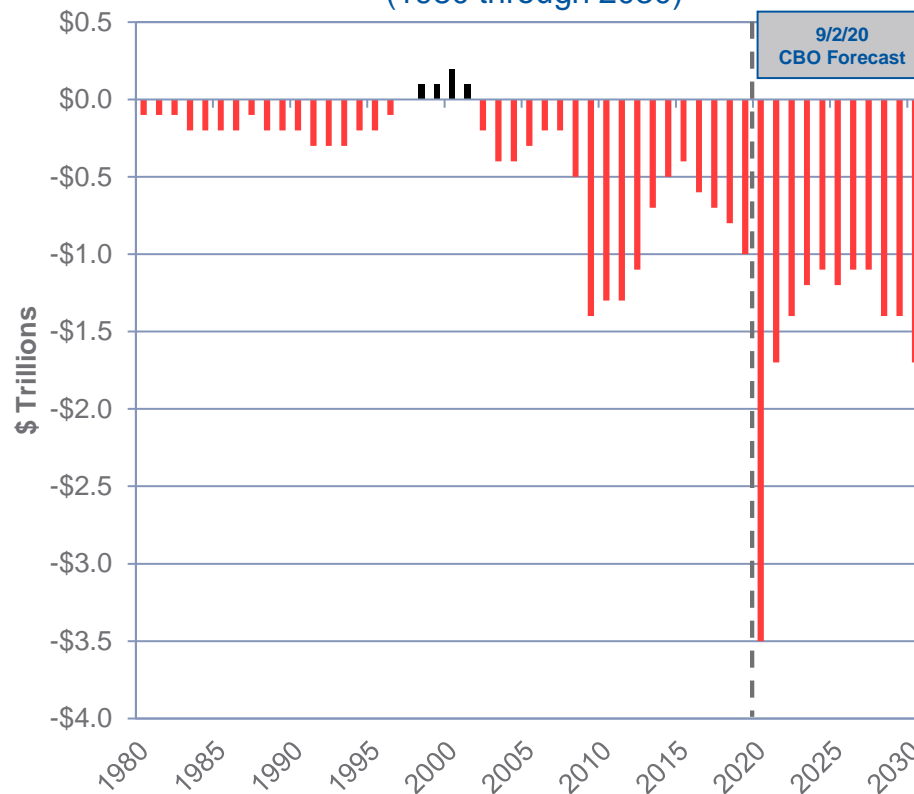
Government Response

To date, the U.S. government has authorized \$3.1 trillion of stimulus spending to combat COVID-19; \$1.2 trillion more than the 2008 stimulus

Federal Reserve Balance Sheet
(January 1980 through October 2020)



Total Deficits or Surpluses
(1980 through 2030)



Source: Federal Reserve Bank of St. Louis
Congressional Budget Office

Looking Forward

The shape of the U.S. recovery will largely be determined by the length of the health crisis and government actions

Market Factors (COVID-19 Pandemic Recovery)

Second Wave of COVID-19 Spread



U.S. Elections



Structural Unemployment & Social Unrest



Behavioral Change



Additional Stimulus



A Dovish Fed

Torchlight believes the Federal Reserve's policy will continue to be dovish

Date	Projected Short-Term Rate Hikes		What happened?		Actual Short-Term Rate Hike
June 2013	4	➡	Taper Tantrum	➡	1 (25 bp)
December 2015	4	➡	Oil prices fell: \$104 to \$26 <small>July 2014 → February 2016</small>	➡	1 (25 bp)
June 2016	4	➡	Brexit	➡	1 (25 bp)
September 2018	3	➡	Growth Concerns	➡	1 (25 bp)
December 2018	0	➡	Trade War	➡	-3 (-75 bp)
December 2019	0	➡	Pandemic	➡	-2 (-150 bp)

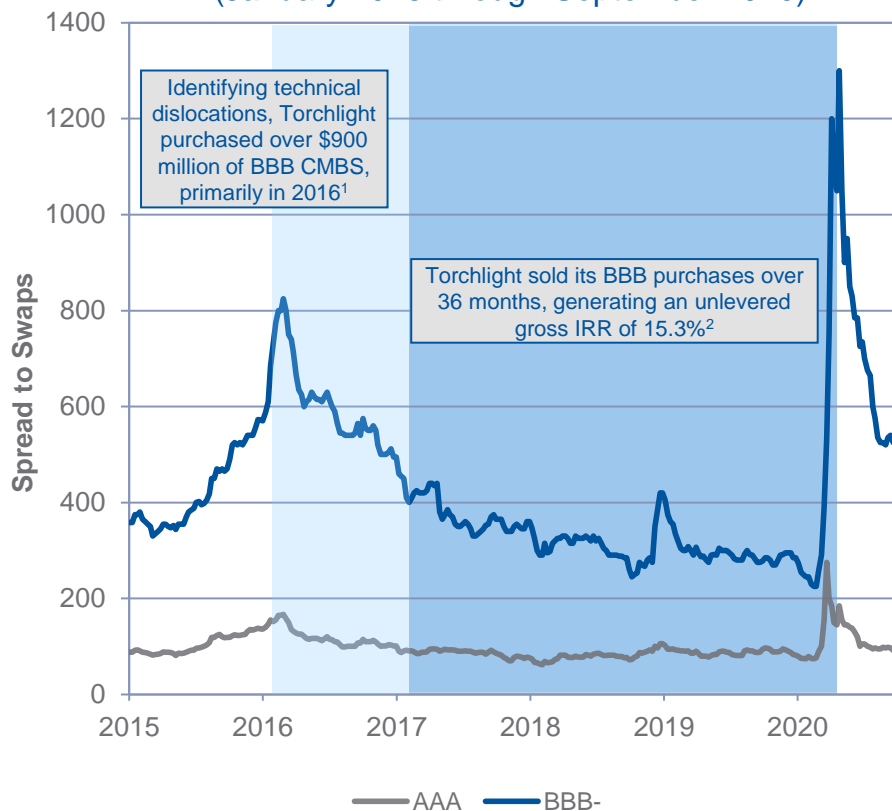
Source: Federal Open Market Committee Meeting Minutes
Projected rate hikes are taken from the median projections of the FOMC
Short-term is defined as 12-18 months out from the original meeting date

Evaluating Opportunistic Securities

Torchlight has a 25 year track record of executing opportunistic strategies during periods of market volatility

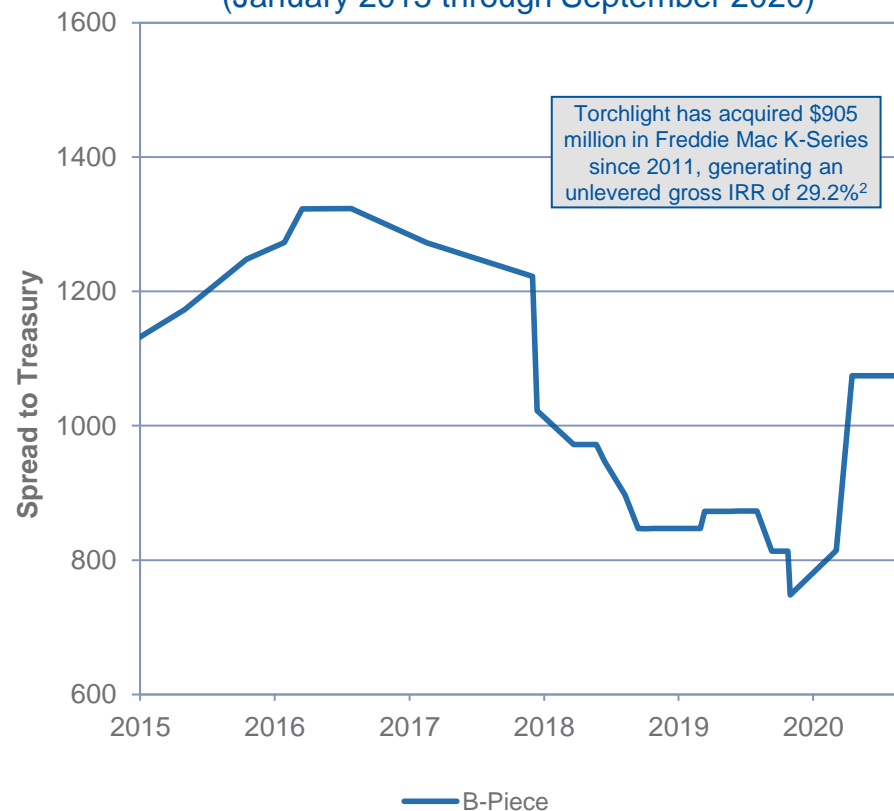
CMBS Spreads³

(January 2015 through September 2020)



New Issue Freddie Mac K-Series Subordinate Spreads⁴

(January 2015 through September 2020)



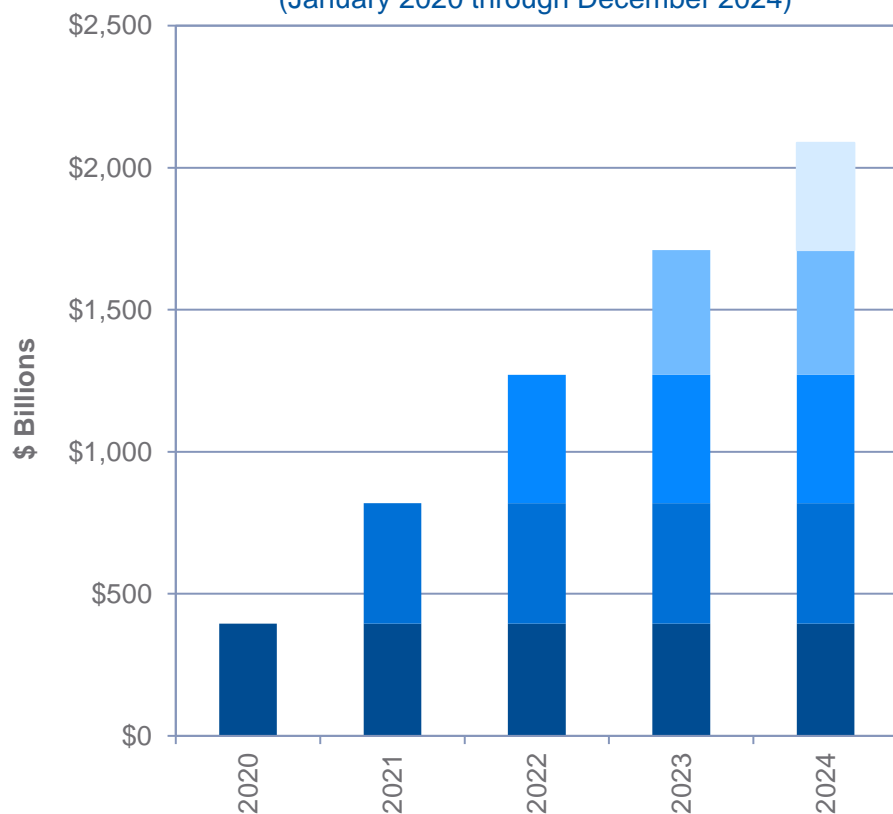
1. BBB investments were made from 1/14/2016 through 6/05/2019 (although purchases were primarily made in 2016) in Torchlight Debt Fund IV and Torchlight Debt Fund V. 2. Performance data as of 6/30/20. 3. Source: JPM 4. New Issue Freddie Mac K-Series Subordinate Spreads are based upon purchases by Torchlight of new issue Freddie K-Series subordinate bonds as well as market color obtained by Torchlight. Accordingly, the information in this table represents an approximation of spreads during the relevant period.

Opportunity: Distressed Debt and Refinancing Gaps

Torchlight believes it has sourcing advantages for acquiring distressed notes

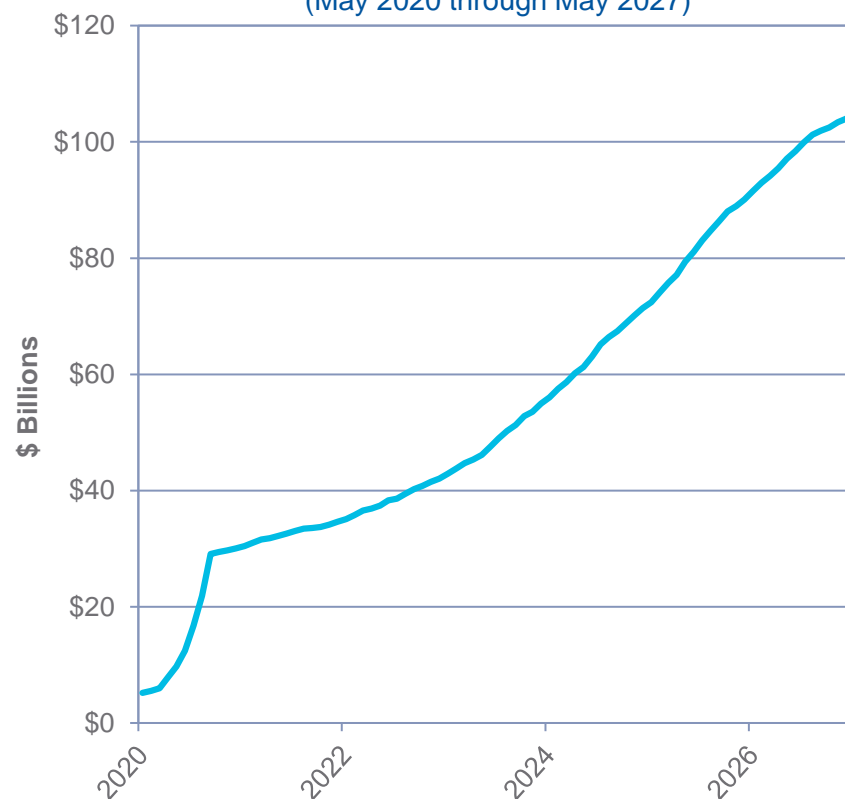
Cumulative Commercial Mortgage Maturities

(January 2020 through December 2024)



BAML Conduit CMBS Cumulative Projected Defaults

(May 2020 through May 2027)



Source: Trepp, BAML

Yields on Commercial Real Estate Debt Investments

Debt Investment	Current Unleveraged Market Yields
Senior CMBS	1% - 2%
First Mortgage – Stabilized	3% - 5%
First Mortgage – Transitional	4% - 6%
First Mortgage – Opportunistic	5% - 7%
A and BBB Rated CMBS	3% - 10%
Below Investment Grade Freddie Mac K-Series	8% - 11%
BB Rated CMBS ¹	8% - 15%
B Rated CMBS ¹	15% - 20%
Unrated CMBS ¹	20% - 30%
Mezzanine Loan – Stabilized	6% - 7%
Mezzanine Loan – Transitional	7% - 12%
Mezzanine Loan – Opportunistic	8% - 15%
Preferred Equity	9% - 18%

As of 12/02/20. The yields of different asset classes shown in the table above represent Torchlight's generalized opinion of the yields prevalent for those asset classes in today's environment. No assurance can be given that actual yields in the future will be consistent with the ranges shown above.

1. Yields are not adjusted for anticipated losses.

Torchlight Debt Fund VII

Section III



Torchlight Debt Fund VII

Torchlight Debt Fund VII is Torchlight's 11th Institutional Fund



Fund Target

Net Return: 10% to 12%

Distribution Rate: 6+%



Investment Focus

Value-add

Real Estate Debt



Portfolio Composition

Number of Investments: 75 to 125

Typical Investment: \$5MM to \$75MM



Property Type

Major Property Types



Geographic Focus

Top 50 MSA's



Asset Holding Period

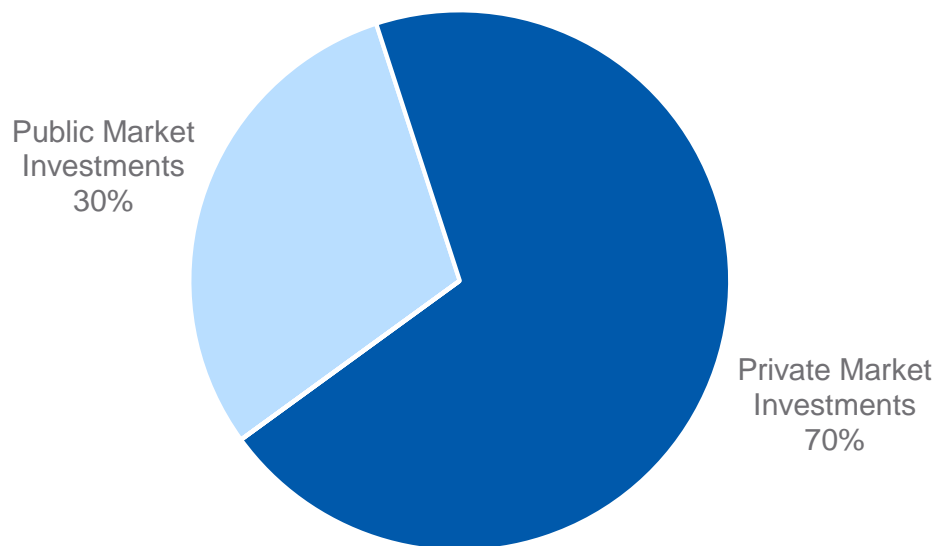
Typical: 5 to 7 Years

Targeted net annualized return of 10% to 12% is before tax that may be deducted from distributions payable to specific investors. Torchlight's targeted returns for Debt Fund VII do not represent a projection of the fund's actual returns. Rather, they represent objectives for the Fund that Torchlight considers reasonable based upon Torchlight's Base Case scenario assumptions. Target Distribution Rate represents the targeted rate of average annual cash distributions to investors (excluding return of capital) as a percentage of invested capital, once Debt Fund VII is fully invested. There can be no assurance that the Fund will meet its investment objectives or otherwise carry out its investment program successfully. Please refer to Scenario Assumptions Disclaimers for additional details.

Investment Strategy – Portfolio Allocation

Torchlight believes that the current commercial real estate environment presents an attractive investment opportunity to achieve net returns of 10% to 12%

Initial Target Portfolio Allocation



Portfolio Construction

Debt Fund VII will seek to blend investments with varying degrees of risk and return. Torchlight's priorities include:

High Cash Yield

Mitigate Downside Risk

Disciplined Underwriting

Investments with Potential Upside

Targeted net annualized return of 10% to 12% is before tax that may be deducted on distributions payable to certain investors. There can be no assurance that the Fund will meet its investment objectives or otherwise carry out its investment program successfully. Torchlight's targeted returns for Debt Fund VII do not represent a projection of the fund's actual returns. Rather, they represent objectives for the Fund that Torchlight considers reasonable based upon Torchlight's Base Case scenario assumptions. Net Returns reflect deductions for management fees and incentive fees. Please refer to Scenario Assumptions Disclaimers for additional details.

Real Estate Debt Opportunities

Torchlight's ability to invest in public and private commercial real estate debt enables it to identify and pursue opportunities with the most favorable risk adjusted returns

Public Securities

Investment Grade CMBS

Subordinate CMBS

Freddie Mac K-Series

Private Investments

Distressed Note Acquisitions

Senior Loan / Mezzanine Financings

Rescue Capital

Portland Multifamily



Investment Metrics

Location	Portland, Oregon
Asset Type	Class A - Multifamily
# of Units	152
Fund VII Investment	\$32.0 million Senior Loan \$12.0 million Preferred Equity
Sponsor Equity	\$20.6 million

Deal Overview

- Torchlight provided a \$44.0 million senior bridge loan and preferred equity facility for the completion and lease-up of a newly constructed Class-A multifamily property

Market Opportunity

- The asset is located in one of Portland's most popular neighborhoods and features condo-quality finishes and best-in-class amenities
- The Portland market has experienced significant increases in population and employment, contributing to rent growth and positive absorption in every year since 2009

Investment Highlights

- Torchlight provided a \$25.0 million initial senior bridge loan and \$12.0 million preferred equity facility at closing, representing a 57.3% loan to cost. Torchlight will fund an additional \$7.0 million as the business plan is executed
- The senior bridge loan allows Torchlight to control the capital stack and provides downside mitigation through completion and lease-up
- Torchlight's fully funded basis, with a last-dollar exposure of \$39.3 million (\$258K/Unit) net of \$4.7MM of interest reserves and fees, represents a 60.8% loan to cost, which compares favorably to recent trades in the market averaging \$390K/Unit
- Torchlight was able to achieve distressed pricing versus pre-COVID levels with a blended spread for the senior and preferred classes of L+625 (1% LIBOR floor), with the ability to sell the senior part of the capital stack to enhance yield as the property is stabilized



Acquired October 22, 2020. This case study is included as an example of a recent senior loan and preferred equity investment. Please refer to Disclaimers and Scenario Assumptions for important information.

Freddie Mac K-Series Subordinate CMBS

Torchlight has been one of a limited number of qualified purchasers of Freddie Mac subordinate bonds over the past decade

- Opportunity**

- Freddie Mac loans have proven to be higher quality with lower default rates than comparable multifamily loans made by Fannie Mae, CMBS and banks
- The highly selective bidding process is limited to investors Freddie Mac believes will provide thorough due diligence, fair market bids, and timely execution
- Yields on new issue subordinate Freddie Mac securities widened from approximately T+810 to T+1,075 in Q1 2020

- Transaction**

- Torchlight performed detailed due diligence on each proposed loan in the pool, re-underwriting and confirmation of recent collections
- Debt service reserves and Freddie's forbearance programs provide additional downside protection to the senior loans
- Torchlight purchased the subordinate class at a significant discount to par

Deal Summary	
Collateral Size	\$1.3 billion
Avg Reported Deal LTV	66.9%
Avg Reported DSCR	1.74x
Avg Reported Debt Yield	7.2%
Number of Loans/Properties	54/55

Transaction Summary	
Acquisition Par Amount	\$98.4 million
Acquisition Price	32.8%
Acquisition Amount	\$32.2 million
Acquisition Yield	11.7%

Price 32.8%
Yield 11.7%

Rating	(Subordination% / LTV%)	Interest Strip
AAA	(18% / 55%)	
AM	(8% / 62%)	
NR	(0% / 67%)	
Average Equity of Underlying Properties (33%)		

Source: Trepp. Acquired September 10, 2020. The 33% Average Equity of Underlying Properties represents the average equity as reported by the issuer and does not represent equity in the transaction. LTV represents the implied LTV of each tranche with average equity underlying senior loans. The summary above refers to the principal only subordinate class. Yield assumes payment of par at maturity (and is not adjusted for potential loss). This case study is included as an example of Torchlight's ability to acquire subordinate Freddie Mac investments at issuance. Please refer to Disclaimers and Scenario Assumptions for important information.



December 14, 2020

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: \$25 MILLION INVESTMENT IN CRAYHILL PRINCIPAL STRATEGIES FUND II

Dear Board Members:

NEPC and I jointly recommend a \$25 million investment in the Crayhill Principal Strategies Fund II.

Background

The Board's adopted asset allocation of June 2020 increased the target allocation to private credit from 3% to 5% for a globally diversified private credit program over three years. At the May Board meeting, the Board approved a Private Debt Pacing Plan that called for an additional \$50 Million to be committed to Private Debt strategies in 2020. (In January 2020, the Board had approved a \$50 allocation to PIMCO's Corporate Opportunities Fund III). The recommended Crayhill and Torchlight Commitments will successfully complete VCERA's 2020 Private Debt commitment objective.

Crayhill Principal Strategies Fund II

As described in greater detail in NEPC's investment report, Crayhill is targeting \$500 million (\$800 million hard cap) in total commitments for the Fund. Crayhill II is targeting a 1.4x-1.5x net TVPI equity multiple and a net 12%-15% IRR, and cash yields expected at 8 – 10%. Crayhill II will not employ any fund-level leverage.

Crayhill II is targeting asset-based private credit investments backed by pools of real and financial assets. The strategy focuses on providing flexible and tailored capital solutions to specialty finance platforms and asset-heavy companies that originate, service and develop cash-flowing assets such as loans, leases, royalties, receivables, offtake agreements and subsidies. Moreover, Crayhill II's investments will be tightly-structured and self-amortizing to help mitigate risk. The Fund seeks to structure deals that have first-loss protection, priority return waterfalls while incorporating upside optionality. The Fund is set up to generate stable mid-teen net returns irrespective of the market environment. Investments are generally structured to include i) a current cash yield, ii) profit sharing realized through the performance of underlying assets and iii) in most cases, warrants that provide upside through performance of the counterparty.

Crayhill II has a closed-end structure with an initial six-year fund life from the date of the final close, subject to two one-year extensions. The Fund has a three-year investment period from the date of the final close.

Crayhill Principal Strategies Fund II Recommendation
December 14, 2020
Page 2 of 2

Crayhill II has a shorter investment period and fund life than most private debt strategies, providing higher liquidity and lower opportunity costs. The fund is targeting exposures that are different with low correlations to traditional corporate lending, which will further diversify the portfolio. Further, companies targeted are often overlooked by generalist private credit firms, allowing for larger spreads and better covenant protections.

Stated fees are 0.75% on committed capital, stepping up to 1.5% on invested capital with a 20% carry with negotiated terms available to NEPC clients.

An unusual but very positively differentiating factor is that Crayhill's management team has no legacy portfolio to manage that would distract its attention, and therefore can focus on making opportunistic investments versus tending to legacy portfolio investment issues.

Crayhill II has been rated "2" by NEPC. Crayhill has higher GP fees and economics, and strategic LPs seeking significant co-investments opportunities could result in greater fund assets under management, and increased management time demands. Partially mitigating these concerns are top quartile performance for its first fund across IRR, TVPI, and DPI metrics; a fund that offers higher target returns in a shorter lock-up period with a scalable approach, and an asset-based strategy which is less susceptible to unstable capital markets.

THEREFORE, IT IS RECOMMENDED THAT THE BOARD:

- 1. Approve an allocation of \$25 million to the Crayhill Principal Strategies Fund II, and direct staff and counsel to negotiate the necessary legal documents; and,**
- 2. Subject to approval of VCERA legal counsel, authorize the Board Chair or the Retirement Administrator, or if both unavailable, the Chief Investment Officer to approve and execute the required documentation.**

Respectfully submitted,



Dan Gallagher
Chief Investment Officer

NEPC Research Investment Due Diligence Rating

Crayhill Capital Management *Crayhill Principal Strategies Fund II*

October 2020

Product Rating: 2



BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | PORTLAND | SAN FRANCISCO

NEPC Investment Due Diligence Rating

Crayhill Principal Strategies Fund II

Strategy Information	
Firm and Strategy	<i>(Crayhill Capital Management – Crayhill Principal Strategies Fund II)</i>
Rating Universe/FPL	<i>Distressed/Opportunistic Credit</i>
Benchmark	<i>Direct Lending/Opportunistic Credit</i>
Proposed Rating	2
Research Owner	<i>Oliver Fadly and Colton Lavin</i>

Rating Matrix	
People	2
Process	2
Portfolio	2
Performance	2
Products/Pricing	4

Strategy Description

Crayhill Principal Strategies Fund II ("Fund II" or Crayhill II" or "the Fund") will continue the strategy of its predecessor fund, Crayhill Principal Strategies Fund I ("Fund I" or "Crayhill I"), targeting asset-based private credit investments backed by pools of real and financial assets. The strategy focuses on providing flexible and tailored capital solutions to specialty finance platforms and asset-heavy companies that originate, service and develop cash-flowing assets such as loans, leases, royalties, receivables, offtake agreement and subsidies. Moreover, Fund II's investments are meant to be tightly-structured and self-amortizing. The Firm opportunistically identifies funding gaps where specialty finance companies seek to fill market demand. Sample sectors include commercial and trade finance, structured real estate, new energy and media. Examples of catalysts that may create these funding gaps include regulatory changes, tax or accounting changes, capital dislocations or disruptive technologies.

Fund II targets opportunities that require bespoke financing solutions to generate a complexity premium. The team seeks to structure deals that have first-loss protection, priority return waterfalls while incorporating upside optionality. The Fund is meant to generate stable mid-teen net returns irrespective of the market environment. Investments are generally structured to include i) a current cash yield, ii) profit sharing realized through the performance of underlying assets and iii) in most cases, warrants that provide upside through performance of the counterparty. Crayhill sources and underwrites investments with the intention to scale to a substantial size. Initial transactions may start relatively small and structured to scale based on an underwritten asset origination plan over two or three years. Deals also



NEPC Investment Due Diligence Rating

Crayhill Principal Strategies Fund II

seek to avoid dependency on capital markets or residual value monetization to achieve an exit. As previously stated, these deals are self-amortizing, and the assets are typically organically wound down. The underlying assets typically have a shorter duration and additional asset exposure is designed to be terminated at any time if market conditions change. While the Fund is expected to be 10-15 names, the deals are expected to be diversified so that they are less correlated with one another.

The Fund is seeking \$500 million with a \$800 million hard cap. As of 9/30/20, Crayhill has closed on approximately \$450 million. Fund II is targeting a 1.4x-1.5x net equity multiple and a net 12%-15% IRR with cash yields ranging from 10-15%. Crayhill II will not use any fund-level leverage. Fund II is expected to have a final close in Q2 2021.

Investment Thesis/Analyst Opinion

Crayhill Principals Strategies Fund II is an attractive option for those investors looking to supplement its traditional, core private debt exposure. The Fund's asset-backed private credit exposure is an alternative to traditional corporate lending. This type of investment strategy provides limited partners with a differentiated credit exposure meant to be more resilient and less correlated across economic cycles. The strategy has a lot more principal protection embedded through the structuring of the deals. Moreover, these deals have more upside optionality and self-amortizing exits. There are a limited number of players targeting Crayhill's sectors of focus and deal size. The Firm takes a very thematic approach, deep diving into areas and seeking to avoid sectors that have several funding alternatives. Other strategies also tend to be embedded or part of broader multi-strategy funds. There are not a lot of other funds as focused on areas such as, for example, new energy finance, equipment leasing, trade finance or factoring & receivables as Crayhill. Moreover, a lot of other strategies most focus on providing some sort of term loan or bridge/acquisition loan facility. Crayhill can be a more flexible and provide other solutions such as pre-securitization warehouse, least syndication facilities or re-securitizations.

The strategy is a lot more intensive from a time and resources standpoint than more generalist, income-oriented strategies such as direct lending. A lot of other private debt firms do not have this level of asset-based expertise at this end of the market. These types of strategies are more difficult to execute and scale quickly relative to other strategies such as middle market sponsored lending. As a result, Fund II has higher fees and economics than larger firms executing more traditional strategies. In addition, Crayhill is still a newer, emerging manager that still has upfront/start-up expenses which have yet to flow through and caused the Firm's some growing pains. The Firm's co-founders, Carlos Mendez and Joshua Eaton, have significant experience executing this strategy both at Crayhill and previously at Magnetar Capital. As outlined by NEPC's Diverse Manager Committee's definition, Crayhill also qualifies as a Minorities, Women and Disadvantaged Business Enterprise ("MWDBE") through Carlos Mendez's ownership in the Firm. For investors looking for a strong manager that also qualifies as MWDBE and/or emerging firm, Crayhill is worth consideration.

Although unexpected, one of Crayhill's largest and most prominent Fund I's LPs purchased the entire portfolio (except for one deal) in March 2020. The LP has hired Crayhill to manage and wind down the portfolio. This puts Crayhill in the unique



NEPC Investment Due Diligence Rating

Crayhill Principal Strategies Fund II

position of not having to manage a legacy portfolio in a fund structure. The Firm and team can focus the bulk of its attention to Fund II rather than portfolio management which is what several other private debt managers have had to do in the wake of the pandemic. As outlined by NEPC's Diverse Manager Committee's definition, Crayhill also qualifies as a Minorities, Women and Disadvantaged Business Enterprise ("MWDBE") through Carlos Mendez's ownership in the Firm. For investors looking for a manager that also qualifies as MWDBE and/or emerging firm, Crayhill is worth consideration. Crayhill is a newer manager but well-positioned to execute on Fund II.

Differentiating Factors:

- Experienced Team:** The co-founders have experience identifying and creating tailored structured financing around custom opportunities. The two co-founders have also worked together for over a decade and previously invested over \$2 billion at Magnetar; Magnetar asked them to wind down existing portfolio after they left; one managing director came from Magnetar as well; the team is outsized for Fund II (9 investment professionals) including a dedicated quantitative analyst/data scientist)
- Unique Strategy:** This is an asset-based strategy targeting areas outside of traditional corporate credit. Target areas include equipment leasing, new energy finance, specialty real estate, trade finance, factoring & receivables, regulatory capital, small business lending, royalties, litigation finance and media receivables. Assets are highly structured and meant to avoid dependency on capital markets or some sort of residual value monetization. The underlying assets typically have shorter duration and the types of controls and protections Crayhill can create are quite different from traditional corporate lending.
- Sourcing Depth:** Crayhill dedicates a significant amount of its time and resources in its top-down approach to identifying investment theme and funding gaps. While the team looks at catalysts for supply/demand imbalances in sectors, it spends a substantial amount of time determining if these changes alter the quality or performance attributes of the underlying assets. The entire senior team is responsible for identifying themes and is expected to be working on, in various capacities, 2-4 themes at any one time. This has proven beneficial in that a handful of these themes have been identified and executed in Fund I and can be replicated and scaled in Fund II.
- No Legacy Portfolio:** Fund I was sold to a prominent LP who is also be a large investor in Fund II. Crayhill will still manage it on a wind down basis outside of any follow-ons or upsizings which may go into Fund II. Fund II was sold after four years for a net 13.3% IRR and net MOIC of 1.3x.
- Fund Structure:** Fund II has a three-year investment period and six-year fund term. This is significantly shorter than most private debt strategies, in particular, direct lending, mezzanine and distressed. The opportunity cost of having a fund structure that is shorter in duration is attractive relative to those strategies. The niche nature of this strategy offers higher target returns



NEPC Investment Due Diligence Rating

Crayhill Principal Strategies Fund II

in a shorter lock-up period which should benefit investors that are concerned about illiquidity premium and duration.

Areas to Monitor:

- **Fund and AUM Increase:** Fund I including co-investment was approximately \$470 million. The amount of co-investment in the Fund and outside of it is expected to increase. The Firm has a few strategic LPs which seek significant amount of co-investment. If the Fund hits its hard cap, including the co-investment, this could result in a significant rise in assets. The increase in assets should benefit the strategy in that it will help deals scale more quickly and efficiently. Moreover, given that there are themes that can be repeated in Fund II and the investment process has been refined, the deployment of Fund II should be more streamlined and less lumpy than Fund I.
- **Fees and Economics:** The Fund charges fees on committed capital and has a high carried interest allocation of 20%. This is higher than what NEPC has seen in the market for these types of strategies.
- **GP Commitment:** Crayhill has a 1% GP commitment which is on the lower end of what NEPC has seen in the market. At this point Crayhill has invested the bulk of its capital into the business including hiring several senior investment professionals.
- **Scalability of Deals:** Investments are expected to be between \$50 to \$100 million but expected to scale over time. In the event some of these origination or acquisition platforms do not reach a certain size or scale, the investment may not perform to expectations. Given the refined investment process and number of identified themes that the team has already identified this is seen as less of a concern.



NEPC Investment Due Diligence Rating

Crayhill Principal Strategies Fund II

People: 2

The team consists of 14 investment professionals and led by its Managing Partners: Carlos Mendez and Joshua Eaton. The current investment team is appropriate in terms of size and skill and experience for Fund II. The team is constructed a little bit differently than some other private debt firms. The team's background and past experiences is more quantitative and engineering-focused. The Firm has multiple quantitative analysts who are focused on analyzing themes and portfolio & risk management. There are no current plans to add to the senior leadership team, however, Crayhill will add a few more junior investment professionals as needed if the market opportunity or portfolio development warrants it. NEPC would expect Crayhill to add to the team over the life of Fund II especially in the portfolio monitoring area as it gets bigger. The Firm has had a couple of senior departures since its inception. In May 2018 Frederick Horton, managing partner, left Crayhill to work with another emerging manager in the litigation finance space in Boston, MA. Mr. Horton's primary responsibilities at Crayhill were focused on business development and capital formation. At the time of his departure, Mr. Horton did not have any ownership in the Firm. NEPC does not see Mr. Horton as being a critical in the execution of the strategy and his departure is not a concern moving forward. Thomas Wickwire was hired in 2016 and departed in 2018 after moving with his family to Florida. Mr. Wickwire's primary responsibility was sourcing investments in the real estate sector for Fund I. NEPC held several on and off-page references and determined that while Mr. Wickwire was an effective originator he did not possess some of the structuring and underwriting capabilities needed to fully execute the strategy. Net of additions and departures, the Fund II team is approximately 50% larger than the team for Fund I. The Key Person clause has been structured so that a Key Person Event will occur if either Carlos Mendez or Joshua Eaton ceases to devote substantially all of their time and attention to Crayhill. This is appropriate given that both the co-founders are critical to Fund II and the overall strategy. As stated earlier, Crayhill also qualifies as a Minorities, Women and Disadvantaged Business Enterprise ("MWDBE") through Carlos Mendez's ownership in the Firm.

Process: 2

The investment process has significantly improved since the Firm's inception. The investment process has become more streamlined and efficient. The process begins with team being able to identify asset-based funding gaps where Crayhill can provide financing that is more customized. The team dedicates a substantial amount of time and resources in developing top-down investment themes that analyze an in-depth forward-looking analysis of markets undergoing or susceptible to disruption. The investment committee consists of Carlos Mendez, Joshua Eaton, Sloan Sutta, Stefan Hoefer and Raj Savai and ultimate investment approval requires a majority vote.

The investment process is meant to exert substantial control over the underlying assets and cash flows of each investment, however, it seeks to avoid operational control over corporate entities and counterparties. The investment process has become a lot more refined in assessing the timing of cash flows and how they are affected by a range of factors (ex. Interest rates, collateral price appreciation, absorption rates). Crayhill's surveys several fundamental characteristics in more depth than other generalist private debt providers. The Firm also has a different approach to risk as it puts every deal into a standalone Special Purpose Vehicle



NEPC Investment Due Diligence Rating

Crayhill Principal Strategies Fund II

("SPV") and sets rigid asset eligibility criteria, individual asset approval rights and concentration limits. NEPC believes that Crayhill has already developed a lot of the investment process and themes during Fund I that can be repeated and scaled in Fund II.

Portfolio: 2

The Fund I portfolio was sold to an existing LP so Fund II investors will benefit from the increase in the team's time and resources. The sale of Fund I was finalized in March 2020. Fund I was diversified across sector, investment type and sub-sector. The majority of the investments were in structured real estate (48%%), commercial finance (34%) and new energy (16%). Within those sectors, the portfolio was broken up into several sub-sectors such as trade finance (34%), specialty homebuilders (32%), warehouse (15%) and solar development (16%).

Performance: 2

As stated earlier, the sale of Fund I (except one deal) has created significant outperformance when benchmarked to the Thomson One Global Distressed universe. Data is in \$ million and as of 3/31/2020. The metrics of the sale can be viewed as outperforming on a relative and absolutely basis. The performance of Fund I may not be the most applicable indicator of Crayhill's ability in that the sale was made on an unexpected basis. The gross and net IRR were 18.8% and 13.3%, respectively. This was a slight premium to the net performance listed below. The performance below is based off the off the previous, and more expensive, fee structure of 1.5% on committed capital.

Net TVPI Multiple					Global Distressed			
Fund Name	Vintage	Net TVPI	Quartile Rank	Out (Under) Performance vs. Median	# of Funds	1st Quartile	Median	3rd Quartile
Crayhill Principal Strategies Fund LP	2016	1.26x	1	0.18x	18	1.12x	1.07x	1.03x
Crayhill Principal Strategies Parallel Fund LP	2016	1.24x	1	0.16x	18	1.12x	1.07x	1.03x

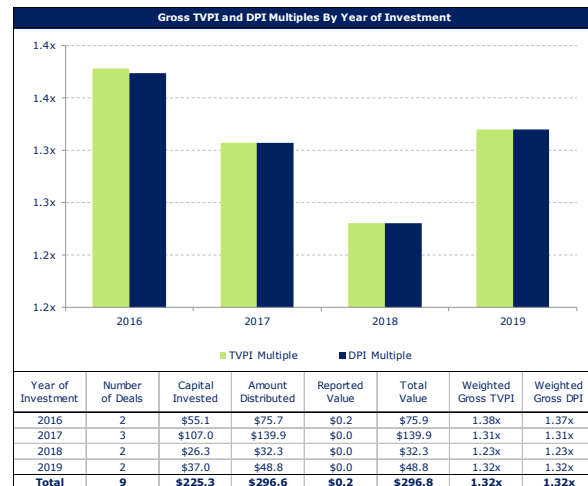
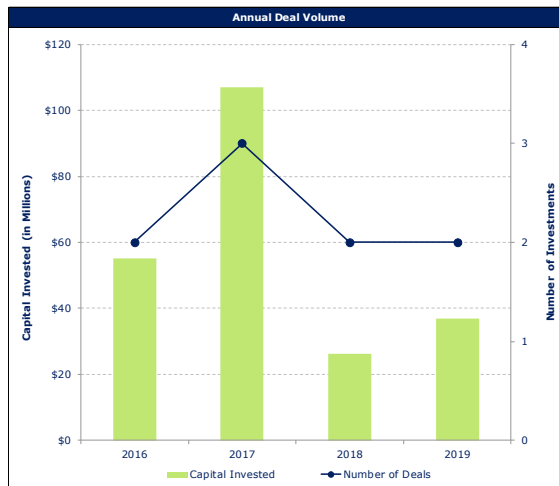
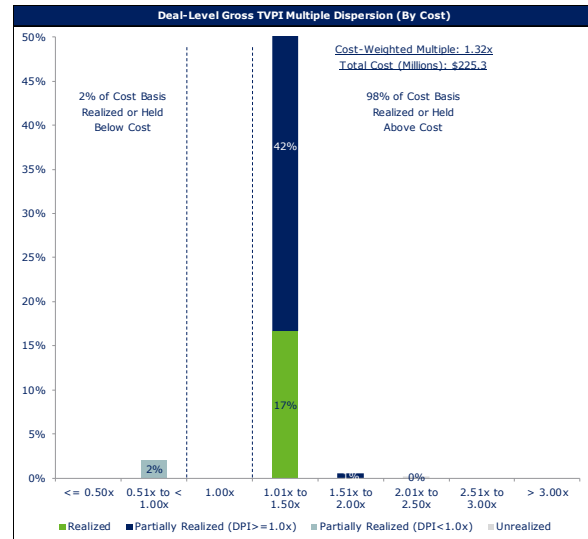
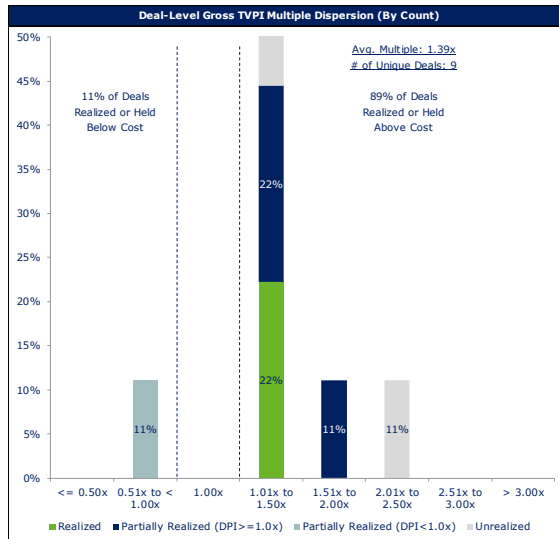
Net DPI Multiple					Global Distressed			
Fund Name	Vintage	Net DPI	Quartile Rank	Out (Under) Performance vs. Median	# of Funds	1st Quartile	Median	3rd Quartile
Crayhill Principal Strategies Fund LP	2016	1.25x	1	1.11x	18	0.26x	0.13x	0.01x
Crayhill Principal Strategies Parallel Fund LP	2016	1.23x	1	1.10x	18	0.26x	0.13x	0.01x

Net IRR					Global Distressed			
Fund Name	Vintage	Net IRR	Quartile Rank	Out (Under) Performance vs. Median	# of Funds	1st Quartile	Median	3rd Quartile
Crayhill Principal Strategies Fund LP	2016	12.7%	1	9.1%	18	7.8%	3.6%	1.8%
Crayhill Principal Strategies Parallel Fund LP	2016	10.5%	1	6.9%	18	7.8%	3.6%	1.8%



NEPC Investment Due Diligence Rating

Crayhill Principal Strategies Fund II

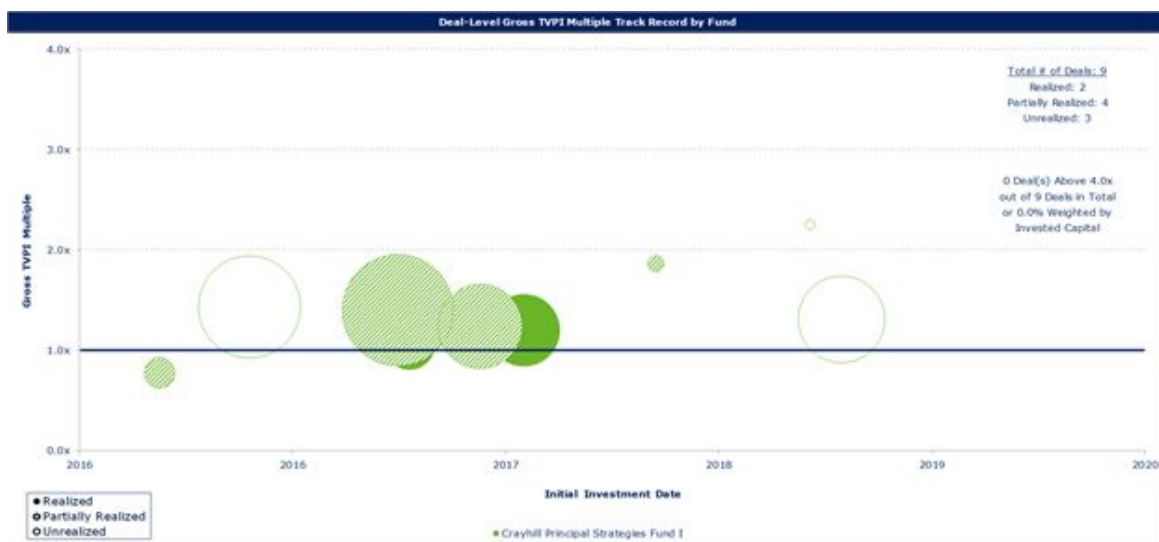


Year of Investment	Number of Deals	Capital Invested	Amount Distributed	Reported Value	Total Value	Weighted Gross TVPI	Weighted Gross DPI
2016	2	\$55.1	\$75.7	\$0.2	\$75.9	1.38x	1.37x
2017	3	\$107.0	\$139.9	\$0.0	\$139.9	1.31x	1.31x
2018	2	\$26.3	\$32.3	\$0.0	\$32.3	1.23x	1.23x
2019	2	\$37.0	\$48.8	\$0.0	\$48.8	1.32x	1.32x
Total	9	\$225.3	\$296.6	\$0.2	\$296.8	1.32x	1.32x



NEPC Investment Due Diligence Rating

Crayhill Principal Strategies Fund II



Products/Pricing: 4

Fund I, together with its parallel vehicles, raised approximately \$468 million, with \$278 million from Fund I and co-investors and \$190 million through various co-investment vehicles. The amount of co-investment whether in the fund or other dedicated vehicles is expected to increase. The Firm has a couple of strategic LPs that want access to co-investment in deals. With the amount of co-investment in Fund I, and expected amount in Fund II, the total number of assets being managed in the strategy will increase. Given the current pipeline, improvements to the team and investment process, the increase in assets is not seen as detrimental to the strategy, but investors should be aware. The Fund is also a lot more expensive than other credit funds. Since the strategy is more unique and opportunistic, and requires a lot more resources, it is inherently more expensive. The upside optionality is also fairly prevalent which explains the higher carried interest. The Firm is also newer and just hitting an inflection point. As the Firm grows and scales the fees may come down a bit.



NEPC Investment Due Diligence Rating

Crayhill Principal Strategies Fund II

Due Diligence Process	
How was this fund sourced?	Fund II was sourced through the Firm's placement agent, Lazard
Please describe the level of due diligence completed?	NEPC held several calls with Crayhill including two "mini onsite." NEPC also conducted several on and off-page reference calls.
Date of Team Vetting	10/20/2020



NEPC Investment Due Diligence Rating

Crayhill Principal Strategies Fund II

Key Fund Terms & Attributes – Private Markets	
Target / Hard Cap	\$500 million/\$800 million
Minimum Investment	\$10 million (negotiable)
GP Commitment	1%
Target Final Close	Q2 2021
Investment Period	3 years from final closing
Fund Term	6 years from final closing, with two one-year extensions
Target Fund Return	12-15%
Leverage	None at the Fund-level
Management Fee	<ul style="list-style-type: none"> During the investment period: 0.75% on committed capital, stepping up to 1.50% on actively invested capital Post-investment period: 1.5% on actively invested capital
Organizational Costs	\$2.5m
Carried Interest	20%
Preferred Return	7% (100% GP catch up)
Fund Auditor	PriceWaterhouseCoopers
Fund Legal Counsel	Akin Gump



NEPC Investment Due Diligence Rating

Crayhill Principal Strategies Fund II

Appendix 1 – NEPC Rating Definitions

Rating	Definition
1 "Best ideas"	A high conviction investment product. Product has a clear and economically-grounded investment thesis and is managed by an investment team that is sufficiently resourced and incentivized to execute on the thesis.
2	NEPC has a positive view of the strategy. Strategy has a compelling and sound investment thesis. The manager is sufficiently resourced and incentivized to execute on the thesis. Strengths outweigh the weaknesses, but the strategy does not meet all requirements for a 1 rating.
3	A satisfactory investment product. The strategy lacks a compelling investment thesis, however there are no significant concerns around the manager's viability or ability to execute the thesis.
4	The strategy may have unclear or ambiguous investment thesis or the manager may lack the ability to execute on the stated thesis. The strategy likely has strengths and weaknesses and the weaknesses may outweigh the strengths.
5	A strategy that lacks an investment thesis or NEPC has no confidence in the manager's ability to execute on the thesis, and/or the investment firm may not be viable. Serious issues have been identified with an investment manager or product. This rating aligns with a Terminate Due Diligence status for client-owned products.
NR	A strategy has not gone through NEPC's full due diligence process.
Discovery Platform	Investment strategies that would not receive broad client adoption, but may appeal to a subset of clients that have a higher risk tolerance and/or higher return goals. Investment review is more streamlined to facilitate speed of execution, instead of depth of research.



NEPC Investment Due Diligence Rating

Crayhill Principal Strategies Fund II

Disclaimers and Disclosures

- Past performance is no guarantee of future results.
- The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.
- Information used to prepare this report was obtained directly from the investment manager, and market index data was provided by other external sources. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- NEPC may provide background information on fund structures or the impact of taxes but you should contact your legal counsel or tax professional for specific advice on such matters.
- This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

In addition, it is important that investors understand the following characteristics of non-traditional investment strategies including hedge funds, real estate and private equity:

1. Performance can be volatile and investors could lose all or a substantial portion of their investment
2. Leverage and other speculative practices may increase the risk of loss
3. Past performance may be revised due to the revaluation of investments
4. These investments can be illiquid, and investors may be subject to lock-ups or lengthy redemption terms
5. A secondary market may not be available for all funds, and any sales that occur may take place at a discount to value
6. These funds are not subject to the same regulatory requirements as registered investment vehicles
7. Managers may not be required to provide periodic pricing or valuation information to investors
8. These funds may have complex tax structures and delays in distributing important tax information
9. These funds often charge high fees
10. Investment agreements often give the manager authority to trade in securities, markets or currencies that are not within the manager's realm of expertise or contemplated investment strategy





Crayhill Capital Management

Crayhill Principal Strategies Fund II

**Ventura County Employees' Retirement Association
(VCERA)**

December 14, 2020

All numerical information herein is presented as of September 30, 2020, unless noted otherwise. The materials are confidential and are for the exclusive use of the original recipient only, and may not be reproduced or further presented or distributed without the written consent of Crayhill Capital Management LP. These materials are neither an offer to sell, nor a solicitation of an offer to purchase, an interest in any fund or any other security. Such an offer or solicitation can only be made by way of a fund's confidential offering memorandum and otherwise in accordance with applicable securities laws.

Disclaimer



The following presentation (this "Presentation") is furnished on a confidential basis to a limited number of sophisticated prospective investors for the purposes of summarizing certain information about Crayhill Principal Strategies Fund II LP (the "Partnership", and together with its parallel funds, the "Fund" or "Fund II"), and investment in limited partner interests therein. This Presentation is not, and may not be relied on in any manner as legal, tax, investment, accounting or other advice or as an offer to sell or a solicitation of an offer to buy an interest in the Fund or any other entity sponsored or managed by Crayhill Capital Management LP ("Crayhill" or the "Manager"). Any such offer or solicitation shall only be made pursuant to the final confidential private placement memorandum relating to the Fund (as amended, restated or supplemented from time to time, the "Memorandum"), and the Fund's subscription documents, which will be furnished to qualified investors on a confidential basis at their request for their consideration in connection with such offering. The Memorandum should be read carefully prior to investment in the Fund for a description of the merits and risks of an investment in the Fund. The discussion in this Presentation is qualified in its entirety by reference to the detailed information, including the substantial risks associated with an investment in the Fund, which will appear in the Memorandum and other definitive Fund documents.

The summary of fund terms contained herein is not intended to be complete and is qualified in its entirety by the Memorandum and the terms of the agreement of limited partnership of the Partnership (the "Partnership Agreement"). The Partnership Agreement is available from the Manager upon the request of any potential investor and should be reviewed carefully before making any investment decision. To the extent that the terms set forth below are inconsistent with those of the Partnership Agreement, the Partnership Agreement shall control.

No person has been authorized to make any statement concerning the Fund other than as will be set forth in the Memorandum and the definitive subscription documents, and any representation or information not contained therein may not be relied upon. By accepting this Presentation, the recipient agrees that it will, and will cause its representative and advisors to, use the information only to evaluate its potential interest in the Fund and for no other purpose and will not, and cause its representatives and advisors not to, divulge any such information to any other party. Neither Crayhill nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein, and nothing contained herein should be relied upon as a promise or representation as to past or future performance of the Fund or any other entity.

The Fund is suitable only for sophisticated investors and requires the financial ability and willingness to accept the high risks and lack of liquidity inherent in such investment. Prospective investors must be prepared to bear such risks for an indefinite period of time. No assurance can be given that the investment objectives of the Fund will be achieved or that investors will receive a return of their investment.

Crayhill reserves the right to establish and modify the terms of any offering of interests described in this Presentation and such interests would be offered subject to Crayhill's ability to reject any subscription in whole or in part.

The recipient acknowledges that, to the maximum extent permitted by law, each of Crayhill and its related parties or affiliates disclaims all liability to the recipient or to any other person for any expense, cost, loss or damage of any kind including direct, indirect or consequential loss or damage (however caused, including by negligence) incurred by any person arising from or relating to any information included or omitted from this Presentation, whether by reason of such information being inaccurate or incomplete or for any other reason. This Presentation does not constitute and should not be considered as any form of financial opinion or recommendation. The recipient should conduct its own inquiries as to the adequacy, accuracy, completeness and reliability of any information, whether such information is contained in this Presentation or not, relating to the Fund.

Nothing contained in this document may be relied upon as a guarantee, promise, assurance or a representation as to the future. Except as otherwise indicated, the information provided in this presentation is based on matters as they exist as of the date listed on the cover and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available or circumstances existing or changes occurring after the date hereof. The views expressed in this Presentation are subject to change based on market and other conditions. In considering the performance information contained herein, prospective investors should bear in mind that past, forecasted or targeted performance is not necessarily indicative of future results, and there can be no assurance that comparable results will be achieved.

Unless otherwise noted, all internal rates of return ("IRRs") are presented on a "gross" basis (i.e., they do not reflect any management fees, carried interest, taxes, transaction costs and other expenses to be borne by certain and/or all investors, which will reduce returns and, in the aggregate, are expected to be substantial).

This Presentation includes information about projections of anticipated future performance or results of the Fund and other forward-looking statements. These projections and forward-looking statements are based on expectations, beliefs, assumptions, estimates and projections about market conditions as well as the anticipated performance of the Fund. The projections and forward-looking statements included herein, or otherwise made orally or in writing from time to time, involve certain risks, uncertainties and assumptions that are difficult to predict as well as factors that are beyond the Fund's control. None of Crayhill or its affiliates makes any express or implied representation or warranty as to the attainability of any of the projections or other forward-looking statements contained herein and no assurance can be given that the Fund will achieve the financial results set forth in the projections or other forward-looking statements. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such projections and forward-looking statements, and such differences may be material and adverse to the Fund. None of Crayhill or its affiliates intends to update any projections or forward-looking statements to reflect changes in the underlying assumptions, new information, future events or other changes. Accordingly, potential investors should not rely on projections or forward-looking statements in making investment decisions.

Certain information contained herein was based on, obtained or derived from data published or prepared by other parties ("Third-Party Information"). While such sources are believed to be reliable, none of Crayhill, the General Partner or any of their respective affiliates, directors, officers, employees, partners, shareholders or agents (each, a "Crayhill Party") assumes any responsibility for the accuracy of any Third-Party Information. No Crayhill Party makes any representation or warranty, express or implied, as to the accuracy or completeness of any Third-Party Information and no Crayhill Party shall have any liability to the recipient or any other person relating to or resulting from the use of or reliance on any such information contained herein or any errors therein or omissions therefrom.

The interests described herein will not be registered under the Securities Act of 1933, as amended (the "Securities Act") or any state or foreign securities laws, and the Interests will be offered and sold only to persons that are "accredited investors" (as defined in Regulation D under the Securities Act) and "qualified purchasers" (as defined in the Investment Company Act of 1940, as amended (the "Investment Company Act")). The Interests will be subject to certain restrictions on transferability and resale contained in the Memorandum and the definitive Fund documents. The interests have not been approved or disapproved by the Securities and Exchange Commission or any other state or foreign securities regulator. It is anticipated that the Fund will be exempt from the registration requirements of the Investment Company Act, and investors will not be entitled to the protections of Investment Company Act. Consequently, the Fund will be subject to significantly less regulation and supervision than registered investment companies.

The distribution of this Presentation in certain jurisdictions may be restricted by law. This document does not constitute an offer to sell or the solicitation of an offer to buy in any state of the United States or other U.S. or non-U.S. jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such state or jurisdiction.

Lazard Frères & Co. LLC (together with its affiliates, "Lazard"), has been retained by the Fund as a placement agent. Lazard Frères & Co. LLC, 30 Rockefeller Plaza, 60th Floor, New York, NY 10112, is registered with the SEC and a member of FINRA.

Firm Overview



Crayhill makes opportunistic asset-based private credit investments backed by pools of real and financial assets

Firm Overview	<ul style="list-style-type: none"> • Founded in 2015, Crayhill is a New York-based, SEC-registered, alternative investment firm focused on niche private credit and opportunistic asset-based investments • Co-founders have worked together for over a decade and previously invested over \$2 billion at prior firm in similar strategy • As of September 1, 2020, Crayhill has approximately \$790 million in regulatory assets under management • Crayhill achieved a net realized IRR of 13.3% for Crayhill Principal Strategies Fund LP ("Fund I")
Strategy	<ul style="list-style-type: none"> • Focus on providing flexible and scalable capital solutions to specialty finance platforms and asset-heavy companies • Seek to achieve capital preservation through tightly-structured, self-amortizing investments backed by segregated, cash-flowing assets such as loans, leases, royalties and receivables • Aim to capture upside performance through profit-sharing and/or warrants • Target differentiated private credit exposures capable of generating durable and uncorrelated returns across economic cycles
Fund II	<ul style="list-style-type: none"> • Seeking \$500 million of capital commitments for Fund II <ul style="list-style-type: none"> - Targeting low-to-mid teens net IRRs¹ - Seeking quarterly distributions of high single-digit annualized current cash yields¹ - Three-year investment period and three-year harvest period • Second closing was held in September 2020 with approximately \$360 million of capital commitments to date • As of November 3, 2020 completed six investments, representing \$278 million of committed capital²

1. Target returns are not a prediction or projection of actual results. While Crayhill believes the assumptions underlying the targeted returns and the related financial analysis to be reasonable, there can be no assurance that the underlying assumptions or the target return itself will be achieved.

2. Past performance is not necessarily indicative of future results. There is no guarantee that Fund II will achieve similar results.

Crayhill Team



The Crayhill team has the necessary skillsets required to execute upon its strategy

Senior Investment Professionals¹

Carlos Mendez <i>Co-Founder & Managing Partner</i>		Joshua Eaton <i>Co-Founder & Managing Partner</i>	
<ul style="list-style-type: none"> • 22+ Years Experience • Experience: Magnetar PM, Sandler O'Neil, ICP Securities • Education: U.S. Naval Academy (BS) 		<ul style="list-style-type: none"> • 21+ Years Experience • Experience: Magnetar PM, Sandler O'Neil, Dune Capital, Cleary Gottlieb • Education: Boston University (JD), University of Washington (BA) 	
Stefan Hoefer <i>Managing Director</i>	Sloan Sutta <i>Managing Director</i>	Raj Savai <i>Director, Portfolio Monitoring & Risk</i>	
<ul style="list-style-type: none"> • 18+ Years Experience • Experience: BBT Capital, Magnetar Capital, Benefit Street, Anchorage Capital • Education: ESADE (MBA), Universitaet zu Koeln (Law Degree) 	<ul style="list-style-type: none"> • 15+ Years Experience • Experience: Sculptor Capital (fka Och-Ziff Capital Management), Garrison Investment Group, Credit Suisse • Education: Colgate University (BA) 	<ul style="list-style-type: none"> • 14+ Years Experience • Experience: Cello Capital, UBS, ICP Securities, GSC Group • Florida State University (MFM) University of Mumbai (BA) 	

Other Investment Professionals








Shweta Kapadia <i>Director</i>	Jihane Hassad <i>Vice President</i>	Yuan Ren <i>Quantitative Analyst</i>	Sadri Salman <i>Associate</i>	Bhakti Savai <i>Associate</i>		
Investor Relations, Legal & Finance				Other Business Professionals		
Shamafa Khan <i>Managing Director</i> <i>Marketing & Investor Relations</i>	Vikram Mehta, CFA <i>General Counsel</i>	Sara Sherman <i>Legal Consultant</i>	Joseph Thomas <i>Chief Financial Officer</i> <i>Chief Compliance Officer</i>	Bilal Galla <i>Controller</i>	Carmen Quinones <i>Accounting Assistant</i>	Claribel Herrera <i>Executive Assistant</i>

1. The Investment Committee is comprised of all five senior investment professionals.

Key Characteristics of Target Investments



Crayhill's strategy is defensive and uncorrelated

	Asset-Based	Backed by pools of segregated cash-flowing assets that are insulated from operational and idiosyncratic risks of counterparties
	Principal Protection	Target capital preservation through first-loss capital, priority return waterfalls, and/or a diversified collateral base
	Current Income	Seek to generate high single-digit cash yield to reduce risk from investment and provide interim liquidity ¹
	Upside Optionality	Aim to capture upside performance through profits interests and warrants
	Self-Amortizing Exits	Seek to avoid dependency on capital markets or residual value monetization to achieve exit – wind-down typically occurs organically
	Risk Management Controls	Establish eligibility criteria to manage exposures; pursue underlying asset approval and controls to allow termination and unwinding of investments should market conditions change
	Limited Competition	Limited number of players targeting Crayhill sectors of focus and targeted deal size, leading to sustained supply-demand imbalance (vs. middle-market direct lending)

1. Target returns are not a prediction or projection of actual results. While Crayhill believes the assumptions underlying the targeted returns and the related financial analysis to be reasonable, there can be no assurance that the underlying assumptions or the target return itself will be achieved.

Strategy Overview



Crayhill provides balance sheet capital to growing specialty finance platforms that originate, service and develop cash-flowing assets

Key Elements of Investment Process

Identify Funding Gaps	Source Borrowers & Assets	Engineer Creative Structures	Monitor and Manage Risk
<ul style="list-style-type: none"> Look for capital supply and demand imbalances Focus on opportunities where Crayhill has significant expertise Establish reputation as creative solutions provider 	<ul style="list-style-type: none"> Provide capital to experienced and growing originators / servicers Target assets with strong underlying fundamentals Seek current cash flows to de-risk and facilitate exit 	<ul style="list-style-type: none"> Seek to structure investments to protect principal and mitigate risks Aim to segregate assets into bankruptcy-remote SPVs with first-loss subordination Target mid-to-high teens gross IRRs and high single-digit cash yield, distributed quarterly¹ 	<ul style="list-style-type: none"> Dedicated risk management and monitoring process Utilize collateral data and cash flows for real-time monitoring Exercise controls and approval rights to manage risk and optimize performance

Typical Investment Characteristics

Target Opportunities...

- with asset-heavy specialty finance companies
- in areas lacking traditional financing sources
- with assets segregated from operating companies
- producing current cash flows to support self-amortizing exits
- in structures that preserve capital but maintain upside optionality

Avoid Opportunities...

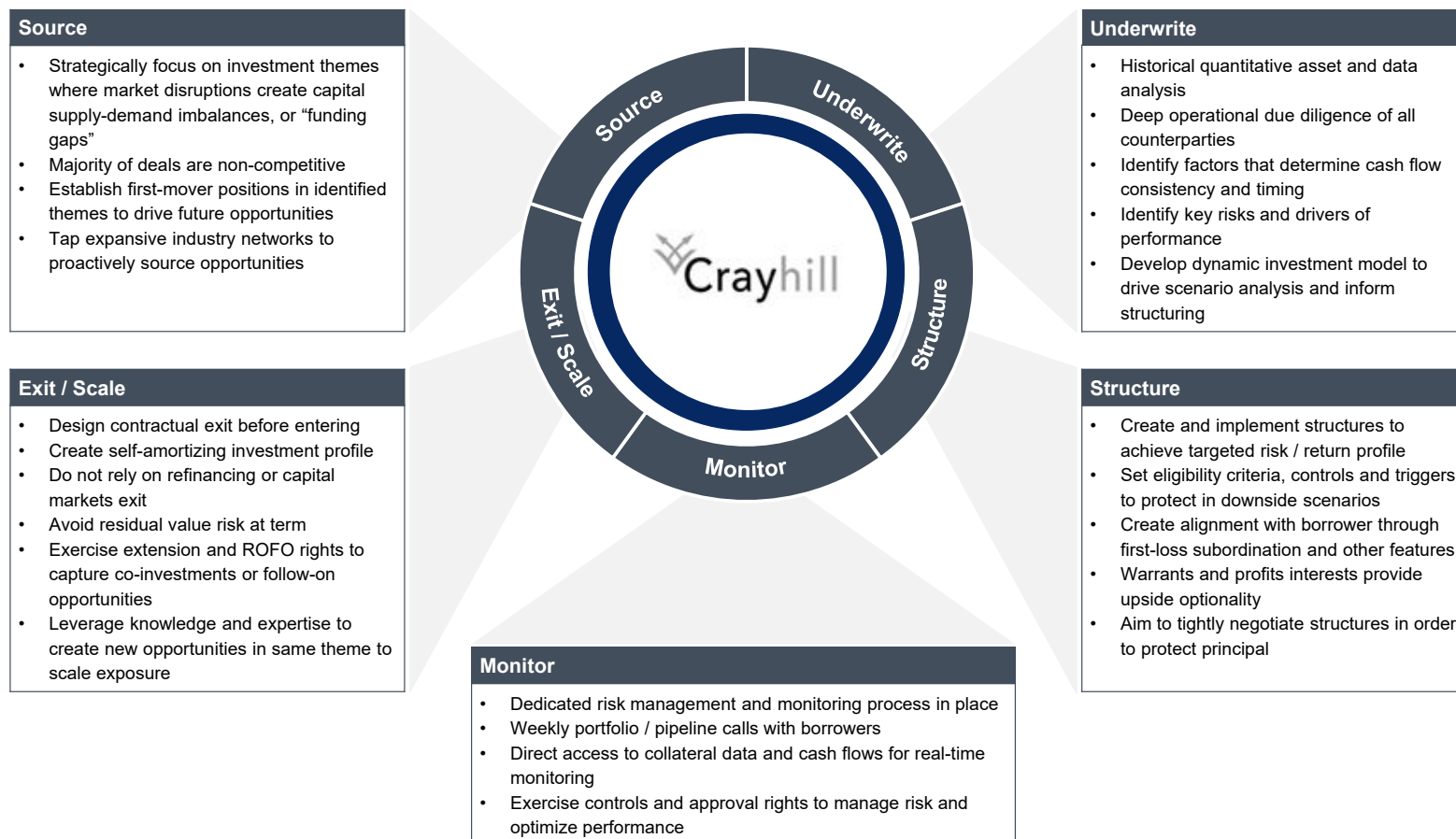
- in regular corporate credit
- in sectors flush with funding alternatives
- involving owning or operating servicing platforms
- relying on market timing or residual value risk to exit
- in structures that lack alignment and limit upside

1. Target returns are not a prediction or projection of actual results. While Crayhill believes the assumptions underlying the targeted returns and the related financial analysis to be reasonable, there can be no assurance that the underlying assumptions or the target return itself will be achieved.

Investment Process



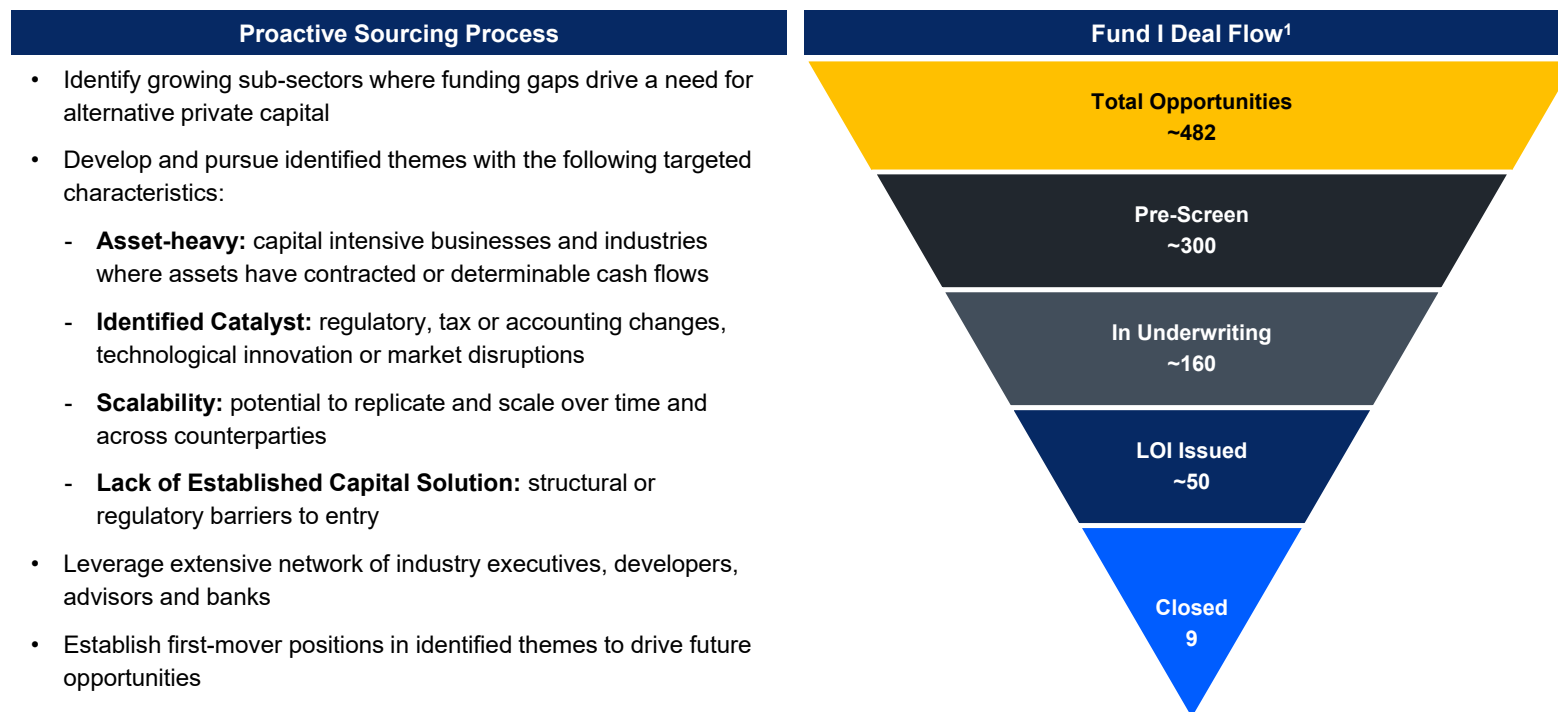
Repeatable sourcing, underwriting and monitoring processes that aim to deliver consistent results



Established Origination Platform



Thematic sourcing program driven by strong networks and proprietary deal flow



Crayhill and its founders have a long track record of directly sourcing and structuring investments

1. For illustrative purposes, based on Crayhill proprietary pipeline tracking tools

Summary



Crayhill specializes in a niche but deep sector of the market and is a leader in asset-based private credit

Experienced Team

Results-oriented team with specialized backgrounds that drive active sourcing, thorough underwriting and quantitative risk management designed to achieve outperformance on a risk-adjusted basis

Direct Sourcing

Strategic focus on investment themes where market disruptions create “funding gaps” requiring innovative financing solutions

Differentiated Exposure

Portfolio of niche investment opportunities across differentiated sectors and asset types with low correlation to typical corporate credit strategies and market fluctuations

Rigorous Structuring

Application of replicable structuring technologies designed to protect in downside scenarios while also preserving upside optionality

Target Attractive Risk-Adjusted Returns

Target mid-to-high teens gross IRRs, with principle protection, quarterly cash yield and upside through profit participation and warrants¹

Co-investment Potential

Highly-scalable investment opportunities with leading specialty finance companies translating to significant co-investment potential

1. Target returns are not a prediction or projection of actual results. While Crayhill believes the assumptions underlying the targeted returns and the related financial analysis to be reasonable, there can be no assurance that the underlying assumptions or the target return itself will be achieved

Summary of Risk Factors



Investors must be aware that investments in private investment funds like the Fund are speculative and involve substantial risk of loss. Investors must carefully review in its entirety the Fund's Memorandum, particularly the section entitled "Risk Factors and Potential Conflicts of Interest".

The following are some common risk factors that investors should consider:

- Investments are speculative and involve a substantial degree of risk.
- The past results of the Manager's principals are not necessarily indicative of the Fund's future performance and the Fund's performance may be volatile.
- An investor in the Fund could lose all or a substantial amount of its investment.
- The Manager will have total investment authority over the Fund and therefore an investor in the Fund would need to rely on the Manager's decision-making skills.
- The Fund could be highly concentrated in a given sector or investment. Therefore, an investment in the Fund may only be appropriate for a portion of an investor's portfolio.
- The fees and expenses of the Fund may offset its investment profits, if any.
- The instruments in which the Fund invests may involve complex tax structures, which could result in delays in distributing important tax information.
- The Fund and Manager are subject to certain potential conflicts of interest.
- There is a limited secondary market (if any) for interests in the Fund, and restrictions on transferring such interests will apply.
- There may be no material limitations on the instruments, markets or countries in which the Fund can invest or on the investment strategies that the Manager may employ on behalf of the Fund.
- The Fund may use leverage at the investment level.
- The Fund is not generally subject to the same regulatory requirements as registered investment companies.
- A portion of the Fund's investments could take place in foreign markets.

The foregoing list of factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Fund. Please see the Fund's Memorandum for additional information regarding such risks.



December 14, 2020

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

**SUBJECT: BOARD APPROVAL OF TORTOISE INVESTMENT MANAGEMENT TEMPORARY FEE
REDUCTION**

Dear Board Members:

Tortoise has proposed revising its fee structure for one year (Tortoise letter and a draft contract amendment are attached). NEPC and I believe that the proposed structure will almost certainly result in a significant fee reduction, but in no event will the fee be greater than that allowed under the current contract. The current fee is calculated on a sliding scale based solely on assets under management (AUM). The proposed fee structure reduces the fee component based on AUM but introduces a performance fee component.

Discussion

Current Fee

Under the current fee structure, the fee rate for AUM less than \$50 million is 100 basis points. For AUM from \$50 to \$75 million, fees are calculated using a blended rate based on a sliding scale. At the November 30 portfolio market value of approximately \$57 million, VCERA's blended rate would be approximately 90 basis points, for an annual fee of \$515,000. For AUM equal or greater than \$75 million but less than \$100 million the rate would be a flat 75 basis points of AUM. For AUM greater than \$100 million, the rate would be a flat 62.5 basis point of AUM.

Proposed Fee

Tortoise is proposing a composite fee structure. One component is an annual base management fee of 50 basis points of AUM. The second component is a performance-based fee, for which the manager is eligible only if the portfolio exceeds an 8% annualized gross rate of return hurdle rate.

If the hurdle rate threshold is exceeded, the performance fee is calculated as 2.5% of the return in excess of the 8% threshold but is capped at a maximum of 12.5 basis points of AUM. In total, the maximum fee rate the manager could earn is 62.5 basis points of AUM.

The minimum fee rate would be 50 basis points of AUM when the portfolio return is less than the 8% hurdle rate and is thus not entitled to a performance fee. See the attached table for an illustrated comparison of the Current versus proposed fee structures.

THEREFORE, IT IS RECOMMENDED THAT THE BOARD:

- 1. Approve the proposed temporary fee reduction.**
- 2. Subject to approval of VCERA legal counsel, authorize the Board Chair or the Retirement Administrator, or if both unavailable, the Chief Investment Officer to approve and execute the required documentation.**

Respectfully submitted,



Dan Gallagher
Chief Investment Officer

Current fee structure		AUM (\$)	basis points	fee (\$)
flat rate: for AUM less than \$50mm		49,999,999	100	500,000
blended rate: if AUM greater than or equal to \$50mm but less than \$75mm	1st	24,999,999	100	250,000
	next	25,000,000	85	212,500
	next	25,000,000	75	187,500
flat rate: for AUM greater or equal to \$75mm but less than \$100mm		75,000,000	75	562,500
flat rate: for AUM less than \$100mm		100,000,000	62.5	625,000

VCERA AUM as of 11/30/2020 was approximately \$57,000,000

blended rate: if AUM greater than or equal to \$50mm but less than \$75mm	1st	24,999,999	100	250,000
	next	25,000,000	85	212,500
	next	7,000,001	75	52,500
CURRENT FEE		57,000,000	90	515,000

Proposed Fee Structure

base mgt fee		57,000,000	50	285,000
max perf fee		57,000,000	12.5	71,250
MAXIMUM combined fee		57,000,000	62.5	356,250
NO performance fee		57,000,000	50	285,000

Worse case annual savings at \$57,000,000 AUM	158,750
Best case annual savings at \$57,000,000 AUM	230,000



December 2, 2020

Ventura County Employees' Retirement Association
Attn: Dan Gallagher
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

RE: Tortoise separately managed account temporary fee

Dear Mr. Gallagher,

Tortoise Capital Advisors, L.L.C. ("Tortoise") is pleased to inform you that effective January 1, 2021, and for a period of one year, we are modifying the fee schedule currently in place for Tortoise's services under the Investment Management Agreement dated April 1, 2013, between Tortoise and Ventura County Employees' Retirement Association as outlined below.

Annual base management fee: 0.50% (50 basis points)
Performance-based fee: 2.5%; minimum 0.00% (0 basis points), maximum 0.125% (12.5 basis points)
Hard hurdle: 8% annualized gross absolute return

The minimum base management fee shall be calculated and billed quarterly in arrears at an annual rate of 0.50% (50 basis points) of the market value of the assets under management as described in the Investment Management Agreement referenced above.

The performance-based fee shall be based on 2.5% of the account gross total return above a hard hurdle of 8%, for the twelve (12) months ended December 31, 2021, and shall have a minimum of 0.00% (0 basis points) and a maximum of 0.125% (12.5 basis points).

The annual performance-based management fee shall be calculated and billed no later than January 15, 2022, by multiplying the performance fee by the market value of the account as of the close of business December 31, 2021, and prorated for contributions and withdrawal amounts based on the number of days in the year for which such amounts were under management.

Should the Investment Management Agreement be terminated, (i) the performance-based fee for the partial year shall be calculated based on the cumulative gross total return since December 31, 2020, through the termination date and based on the market value of the account as of the date of termination, prorated for contributions and withdrawals based on the number of days in the period for which such amounts were under management during the year, and (ii) the hard hurdle will be adjusted on a pro rata basis by multiplying it by the number of days in the period for which such amounts were under management during the year, divided by 365 days.

Calculation Formulas:

- Minimum base management fee = 0.50% (50 basis points) annually
- Performance-based fee (PBF) = $(ATR - 8\%) \times 2.5\%$ (with the fee being no lower than 0 and no greater than 12.5 basis points)
- Account total return (ATR) = cumulative account gross total return rounded to the nearest basis point, as reasonably determined by Investment Manager in good faith
- Annual performance-based management fee = $PBF \times MV$
- Market value (MV) = the value of the account as of the close of business December 31, 2021

Thank you for your continued support and we look forward to seeing you soon. Please let us know if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads 'Jenny Park'.

Jenny Park
Director, Client Relations

CC: NEPC

AMENDMENT TO THE INVESTMENT MANAGEMENT AGREEMENT

This Amendment to the Investment Management Agreement (the "Amendment"), effective as of January 1, 2021 ("Effective Date"), is entered into by and between Tortoise Capital Advisors, L.L.C. ("Tortoise") and Ventura County Employees' Retirement Association ("Client").

WHEREAS, Client and Tortoise have entered into that certain Investment Management Agreement effective April 1, 2013 (the "Agreement"), whereby Client engaged Tortoise to provide investment advisory services to the Client with respect to assets in Client accounts in accordance with the established investment guidelines.

WHEREAS, the parties hereto desire to amend the Agreement to reflect a change in the fee schedule to reflect a temporary change in compensation paid by Client to Tortoise investment advisory services under the Agreement.

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises contained herein and in the Agreement, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending legally to be bound, hereby agree as follows:

Section 6. Compensation is temporarily amended to read: Effective January 1, 2021, and for a period of one year, Tortoise shall be compensated as outlined below.

Annual base management fee: 0.50% (50 basis points)

Performance-based fee: 2.5%; minimum 0.00% (0 basis points), maximum 0.125% (12.5 basis points)

Hard hurdle: 8% annualized gross absolute return

The minimum base management fee shall be calculated and billed quarterly in arrears at an annual rate of 0.50% (50 basis points) of the market value of the assets under management as described in the Investment Management Agreement referenced above.

The performance-based fee shall be based on 2.5% of the account gross total return above a hard hurdle of 8%, for the twelve (12) months ended December 31, 2021, and shall have a minimum of 0.00% (0 basis points) and a maximum of 0.125% (12.5 basis points).

The annual performance-based management fee shall be calculated and billed no later than January 15, 2022, by multiplying the performance fee by the market value of the account as of the close of business December 31, 2021, and prorated for contributions and withdrawal amounts based on the number of days in the year for which such amounts were under management.

Should the Investment Management Agreement be terminated, (i) the performance-based fee for the partial year shall be calculated based on the cumulative gross total return since December 31, 2020, through the termination date and based on the market value of the account as of the date of termination, prorated for contributions and withdrawals based on the number of days in the period for which such amounts were under management during the year, and (ii) the hard hurdle will be adjusted on a pro rata basis by multiplying it by the number of days in the period for which such amounts were under management during the year, divided by 365 days.

Calculation Formulas:

- Minimum base management fee = 0.50% (50 basis points) annually

- Performance-based fee (PBF) = (ATR – 8%) x 2.5% (with the fee being no lower than 0 and no greater than 12.5 basis points)
- Account total return (ATR) = cumulative account gross total return rounded to the nearest basis point, as reasonably determined by Investment Manager in good faith and providing the Client’s investment consultant with the opportunity to review and provide feedback on the calculation
- Annual performance-based management fee = PBF x MV
- Market value (MV) = the value of the account as of the close of business December 31, 2021

This Amendment shall be effective upon the execution and delivery hereof by Tortoise and Client. Except as expressly provided herein, nothing in this Amendment shall be deemed to waive or modify any of the provisions of the Agreement and the parties hereby ratify and confirm the provisions of the Agreement, except as amended hereby. In the event of a conflict between the Agreement and this Amendment, this Amendment shall prevail.

This Amendment, together with the Agreement, sets forth the entire understanding of the parties in connection with the subject matter hereof and thereof. There are no agreements between the parties related to the Agreement other than those set forth in writing and signed by the parties. Neither party hereto has relied on any understanding, representation or warranty not set forth herein, either oral or written, as an inducement to enter into this Amendment.

IN WITNESS WHEREOF, this Amendment is executed to be effective as of the date first set forth above.

VENTURA COUNTY EMPLOYEES'
RETIREMENT SYSTEM

TORTOISE CAPITAL ADVISORS, L.L.C.

By: _____

By: _____

Print: _____

Print: _____

Date: _____

Date: _____



December 14, 2020

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: SUBSCRIPTION TO CAPITAL ECONOMICS' U.S. ECONOMICS AND CAPITAL DAILY

Dear Board Members:

This is a request to subscribe to Capital Economics' (CE) daily economic online newsletter services ***U.S. Economics*** and ***Capital Daily***. The cost is an annual fee of \$8,750 which has been negotiated to a 54% discount from the \$19,000 standard annual rate. This subscription also includes a 6-month free trial extension to *Global Economics*, *Global Markets*, *Daily Roundup*, and *Weekly Digest* subscriptions. After the six-month trial period, the *Daily Roundup* will be automated for only U.S. Economics and Capital Daily coverage.

During the past year, trial subscriptions to Capital Economics' *U.S. Economics*, *Capital Daily*, *Global Economics*, *Global Markets*, *Daily Roundup*, and *Weekly Digest* were provided to VCERA at **no cost**. The information provided by these subscriptions has become a critical source for understanding both micro and macro-economic issues affecting the U.S. economy. CE has helped me in getting an understanding of the environment to help assess and guide the direction of the portfolio, i.e., selection of private credit candidates. It also has helped in deciding where to liquidate in the cash vs futures markets in March, April, and May when we got margin and capital calls and needed to pay the retirement payroll. Based on the daily information provided during this trial period, CE has proven the best source of information in assessing economic factors affecting VCERA's portfolio.

The ***U.S. Economics*** subscription service includes 3-5 emailed publications per week. The subscription to this service provides timely, clear, concise and detailed, analysis and ***independent*** forecasts for the U.S. economy and financial markets, offering both rapid responses to new data and developments, and more in-depth coverage of key themes, current trends, and projected future developments. This publication includes the following: U.S. Rapid

December 14, 2020

Page 2 of 2

Response, U.S. Data Response, U.S. Economics Update, U.S. Economics Weekly, U.S. Fed Watch, U.S. Chart Book, U.S. Economics Focus, U.S. Economic Outlook, and U.S. Employment Report Preview.

The ***Capital Daily*** subscription contains a daily analysis of the latest developments in the world's major developed and emerging economies. It includes a section on key themes affecting the markets, along with reviews and previews of important market data and events. The subscription to this service includes 1 emailed publication a day.

As a subscriber VCERA would be entitled to access CE's online research archive, CE economists, and the opportunity to participate in CE conferences, forums, and webinars.

Currently, VCERA does ***not pay*** any educational subscription vendor for an investments educational subscription. Given the current economic uncertainty and market chaos of the past year, and having reviewed over a dozen other informational sources during the past year, this subscription has provided significant benefit in helping to position the portfolio for both short term cash management and future returns. Therefore, it is recommended that the Board approve 1-year subscription to Capital Economics' *U.S. Economics and Capital Daily* services.

RECOMMENDATION: THAT THE BOARD APPROVE A 1-YEAR SUBSCRIPTION TO CAPITAL ECONOMICS' *U.S ECONOMICS AND CAPITAL DAILY SERVICES*

Sincerely,

A handwritten signature in blue ink that reads "Daniel P. Gallagher".

Dan Gallagher
Chief Investment Officer

PRELIMINARY MONTHLY PERFORMANCE REPORT

Ventura County Employees' Retirement Association

November 30, 2020

Allan Martin, Partner

Dan Hennessy, CFA, CAIA, Senior Consultant

Michael Miranda, CFA, Senior Consulting Specialist

Corey Robinsons, CAIA, Consulting Analyst



VCERA
VENTURA COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION



BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | PORTLAND | SAN FRANCISCO

Ventura County Employees' Retirement Association

TOTAL FUND PERFORMANCE DETAIL NET OF FEES

	Market Value (\$)	% of Portfolio	Policy %	1 Mo (%)	Fiscal YTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Fund	6,675,400,250	100.0	100.0	8.3	13.3	9.5	11.8	8.3	9.3	8.9	8.2	Apr-94
Policy Index				<u>8.5</u>	<u>13.1</u>	<u>10.7</u>	<u>13.3</u>	<u>9.2</u>	<u>10.0</u>	<u>9.3</u>	<u>8.3</u>	Apr-94
Over/Under				-0.2	0.2	-1.2	-1.5	-0.9	-0.7	-0.4	-0.1	
60% MSCI ACWI (Net) / 40% FTSE WGBI				8.0	12.8	10.8	13.3	7.6	8.6	6.8	6.7	Apr-94
60% S&P 500 / 40% BBgBarc Aggregate				7.0	11.0	12.1	14.1	10.5	10.4	10.2	8.7	Apr-94
Total Fund ex Parametric	6,567,789,481	98.4	--	8.2	13.1	9.1	11.4	8.1	9.1	8.8	8.1	Apr-94
Total Fund ex Private Equity	6,037,239,871	90.4	--	8.7	13.1	9.1	11.8	8.0	9.1	--	9.0	Jan-12
Policy Index				<u>8.5</u>	<u>13.1</u>	<u>10.7</u>	<u>13.3</u>	<u>9.2</u>	<u>10.0</u>	<u>9.3</u>	<u>9.9</u>	Jan-12
Over/Under				0.2	0.0	-1.6	-1.5	-1.2	-0.9		-0.9	
Total US Equity	2,000,862,320	30.0	25.0	11.9	19.7	15.5	18.8	13.4	14.2	14.2	9.8	Dec-93
Russell 3000				<u>12.2</u>	<u>19.8</u>	<u>15.7</u>	<u>19.0</u>	<u>13.2</u>	<u>14.0</u>	<u>14.0</u>	<u>10.1</u>	Dec-93
Over/Under				-0.3	-0.1	-0.2	-0.2	0.2	0.2	0.2	-0.3	
Western U.S. Index Plus	284,598,729	4.3		11.7	20.0	13.2	16.7	13.1	14.4	14.9	7.4	May-07
S&P 500				<u>10.9</u>	<u>17.6</u>	<u>14.0</u>	<u>17.5</u>	<u>13.2</u>	<u>14.0</u>	<u>14.2</u>	<u>8.9</u>	May-07
Over/Under				0.8	2.4	-0.8	-0.8	-0.1	0.4	0.7	-1.5	
Blackrock Russell 1000 Index	1,637,520,780	24.5		11.8	19.4	16.1	19.4	13.7	--	--	15.0	May-17
Russell 1000				<u>11.8</u>	<u>19.4</u>	<u>16.1</u>	<u>19.4</u>	<u>13.7</u>	<u>14.2</u>	<u>14.3</u>	<u>15.0</u>	May-17
Over/Under				0.0	0.0	0.0	0.0	0.0			0.0	
Blackrock Russell 2500 Index	78,742,811	1.2		16.3	25.4	11.5	13.9	8.8	--	--	10.6	May-17
Russell 2500				<u>16.3</u>	<u>25.4</u>	<u>11.5</u>	<u>13.9</u>	<u>8.8</u>	<u>11.1</u>	<u>12.0</u>	<u>10.5</u>	May-17
Over/Under				0.0	0.0	0.0	0.0	0.0			0.1	

Policy Index: Currently, 25% Russell 3000, 20% BBgBarc US Aggregate, 16% MSCI ACWI ex U.S., 10% MSCI ACWI, 15% Russell 3000 Index + 3%, 6% CPI+2%, and 8% NCREIF ODCE Real Estate Index.

Prior to January 2016 the Total U.S. Equity Benchmark was a dynamic hybrid using the respective managers' market value weights within the U.S. Equity component toward their benchmark. Prior to May 2013, the Dow Jones U.S. Total Stock Market Index. Prior to May 2007, the Russell 3000 Index.

Ventura County Employees' Retirement Association

TOTAL FUND PERFORMANCE DETAIL NET OF FEES

	Market Value (\$)	% of Portfolio	Policy %	1 Mo (%)	Fiscal YTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Non-US Equity	1,037,821,956	15.5	16.0	13.9	18.2	3.6	8.1	3.7	7.6	5.6	6.4	Mar-94
MSCI ACWI ex USA				13.5	18.0	5.0	9.5	3.8	7.4	5.2	5.3	Mar-94
Over/Under				0.4	0.2	-1.4	-1.4	-0.1	0.2	0.4	1.1	
MSCI EAFE				15.5	16.2	3.0	6.4	3.3	6.2	5.9	4.9	Mar-94
MSCI ACWI ex USA NR LCL				11.3	12.6	2.4	4.9	4.3	6.7	7.0	--	Mar-94
MSCI EAFE NR LCL				13.1	10.0	-1.6	-0.3	2.6	4.7	7.1	4.8	Mar-94
BlackRock ACWI ex-U.S. Index	538,387,167	8.1		13.5	18.5	5.3	10.0	3.9	7.7	5.5	3.3	Mar-07
MSCI ACWI ex USA IMI				13.5	18.5	5.2	9.8	3.7	7.4	5.3	3.1	Mar-07
Over/Under				0.0	0.0	0.1	0.2	0.2	0.3	0.2	0.2	
MSCI ACWI ex USA NR LCL				11.3	12.6	2.4	4.9	4.3	6.7	7.0	3.7	Mar-07
Sprucegrove	233,524,002	3.5		17.7	22.1	-3.4	1.2	0.2	6.2	5.0	6.7	Mar-02
MSCI ACWI ex USA				13.5	18.0	5.0	9.5	3.8	7.4	5.2	6.5	Mar-02
Over/Under				4.2	4.1	-8.4	-8.3	-3.6	-1.2	-0.2	0.2	
MSCI EAFE				15.5	16.2	3.0	6.4	3.3	6.2	5.9	5.9	Mar-02
MSCI ACWI ex USA NR LCL				11.3	12.6	2.4	4.9	4.3	6.7	7.0	5.4	Mar-02
MSCI EAFE NR LCL				13.1	10.0	-1.6	-0.3	2.6	4.7	7.1	4.4	Mar-02
Hexavest	91,741,995	1.4		11.1	10.1	-7.1	-3.9	-1.1	3.1	--	3.2	Dec-10
MSCI EAFE				15.5	16.2	3.0	6.4	3.3	6.2	5.9	5.1	Dec-10
Over/Under				-4.4	-6.1	-10.1	-10.3	-4.4	-3.1		-1.9	
MSCI EAFE NR LCL				13.1	10.0	-1.6	-0.3	2.6	4.7	7.1	6.6	Dec-10
Walter Scott	174,168,792	2.6		11.8	16.7	15.8	20.2	11.7	12.7	8.1	8.0	Dec-10
MSCI ACWI ex USA				13.5	18.0	5.0	9.5	3.8	7.4	5.2	4.4	Dec-10
Over/Under				-1.7	-1.3	10.8	10.7	7.9	5.3	2.9	3.6	
MSCI ACWI ex USA NR LCL				11.3	12.6	2.4	4.9	4.3	6.7	7.0	6.5	Dec-10
MSCI EAFE				15.5	16.2	3.0	6.4	3.3	6.2	5.9	5.1	Dec-10
Total Global Equity	746,148,317	11.2	10.0	12.4	18.6	11.5	15.4	9.4	11.4	9.3	6.9	May-05
MSCI ACWI				12.3	18.5	11.1	15.0	9.0	10.8	9.4	7.5	May-05
Over/Under				0.1	0.1	0.4	0.4	0.4	0.6	-0.1	-0.6	
BlackRock MSCI ACWI Equity Index	746,148,317	11.2		12.4	18.6	11.5	15.4	9.4	11.3	--	11.0	Aug-12
MSCI ACWI				12.3	18.5	11.1	15.0	9.0	10.8	9.4	10.6	Aug-12
Over/Under				0.1	0.1	0.4	0.4	0.4	0.5		0.4	



Ventura County Employees' Retirement Association

TOTAL FUND PERFORMANCE DETAIL NET OF FEES

	Market Value (\$)	% of Portfolio	Policy %	1 Mo (%)	Fiscal YTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Private Equity	638,160,379	9.6	15.0	4.1	15.3	15.7	13.4	15.2	13.9	--	14.4	Jan-12
Russell 3000 + 3%				12.4	21.3	18.8	22.6	16.6	17.3	17.4	18.3	Jan-12
Over/Under				-8.3	-6.0	-3.1	-9.2	-1.4	-3.4		-3.9	
CJA Global All PE (Qtr Lag)				0.0	10.1	5.0	5.5	11.1	10.3	12.5	11.8	Jan-12
Adams Street Global Fund Series	188,562,622	2.8		0.0	11.4	14.1	7.8	14.1	12.1	--	12.7	Jan-12
Russell 3000 + 3%				12.4	21.3	18.8	22.6	16.6	17.3	17.4	18.3	Jan-12
Over/Under				-12.4	-9.9	-4.7	-14.8	-2.5	-5.2		-5.6	
Harbourvest	116,884,507	1.8		0.0	11.8	6.6	6.7	13.6	14.7	--	17.2	Aug-13
Russell 3000 + 3%				12.4	21.3	18.8	22.6	16.6	17.3	17.4	16.4	Aug-13
Over/Under				-12.4	-9.5	-12.2	-15.9	-3.0	-2.6		0.8	
Pantheon Global Secondary Funds	45,030,879	0.7		0.0	4.9	-1.9	-1.5	5.5	10.1	--	10.1	Jan-12
Russell 3000 + 3%				12.4	21.3	18.8	22.6	16.6	17.3	17.4	18.3	Jan-12
Over/Under				-12.4	-16.4	-20.7	-24.1	-11.1	-7.2		-8.2	
Drive Capital Fund II	20,288,053	0.3		0.0	-1.0	12.3	12.3	18.8	--	--	-5.5	Sep-16
Russell 3000 + 3%				12.4	21.3	18.8	22.6	16.6	17.3	17.4	18.5	Sep-16
Over/Under				-12.4	-22.3	-6.5	-10.3	2.2			-24.0	
Abbott Secondary Opportunities	17,346,041	0.3		0.0	16.9	30.6	29.5	--	--	--	22.2	Jan-18
Russell 3000 + 3%				12.4	21.3	18.8	22.6	16.6	17.3	17.4	16.6	Jan-18
Over/Under				-12.4	-4.4	11.8	6.9				5.6	
Clearlake Capital Partners V	12,564,561	0.2		13.7	31.3	27.8	34.5	--	--	--	39.3	Mar-18
Russell 3000 + 3%				12.4	21.3	18.8	22.6	16.6	17.3	17.4	16.9	Mar-18
Over/Under				1.3	10.0	9.0	11.9				22.4	
Battery Ventures XII	17,748,570	0.3		31.2	33.7	46.7	47.1	--	--	--	14.3	Apr-18
Russell 3000 + 3%				12.4	21.3	18.8	22.6	16.6	17.3	17.4	18.2	Apr-18
Over/Under				18.8	12.4	27.9	24.5				-3.9	
Insight Venture Partners X	39,100,809	0.6		27.5	43.1	46.1	47.3	--	--	--	22.1	May-18
Russell 3000 + 3%				12.4	21.3	18.8	22.6	16.6	17.3	17.4	18.6	May-18
Over/Under				15.1	21.8	27.3	24.7				3.5	

Please Note: Private Equity performance is shown on a time-weighted return basis. Values are cash adjusted with current month cash flows.
Private Equity composite includes an additional \$268,037 from custodian pass through value.



Ventura County Employees' Retirement Association

TOTAL FUND PERFORMANCE DETAIL NET OF FEES

	Market Value (\$)	% of Portfolio	Policy %	1 Mo (%)	Fiscal YTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
GTCR Fund XII	21,487,932	0.3		17.2	48.2	55.6	55.6	--	--	--	-11.8	Jun-18
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>17.8</u>	Jun-18
Over/Under				4.8	26.9	36.8	33.0				-29.6	
Buenaventure One, LLC	55,660,635	0.8		0.0	3.7	4.3	4.5	--	--	--	4.2	Jul-18
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>18.1</u>	Jul-18
Over/Under				-12.4	-17.6	-14.5	-18.1				-13.9	
ECI 11	4,824,807	0.1		6.2	29.7	15.6	18.4	--	--	--	23.0	Dec-18
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>20.7</u>	Dec-18
Over/Under				-6.2	8.4	-3.2	-4.2				2.3	
The Resolute Fund IV L.P.	20,981,486	0.3		23.4	36.0	42.2	57.8	--	--	--	64.1	Jan-19
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>27.9</u>	Jan-19
Over/Under				11.0	14.7	23.4	35.2				36.2	
GGV Capital VII L.P.	6,564,103	0.1		3.8	6.9	9.7	-7.3	--	--	--	-8.7	Feb-19
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>23.5</u>	Feb-19
Over/Under				-8.6	-14.4	-9.1	-29.9				-32.2	
GGV Discovery II, L.P.	1,299,218	0.0		3.1	7.0	11.2	11.2	--	--	--	4.4	Feb-19
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>23.5</u>	Feb-19
Over/Under				-9.3	-14.3	-7.6	-11.4				-19.1	
Drive Capital Overdrive Fund I	5,794,870	0.1		0.0	48.3	45.4	45.4	--	--	--	23.8	May-19
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>20.2</u>	May-19
Over/Under				-12.4	27.0	26.6	22.8				3.6	
Riverside Micro Cap Fund V, LP	3,251,671	0.0		11.2	10.1	1.7	1.7	--	--	--	-18.3	May-19
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>20.2</u>	May-19
Over/Under				-1.2	-11.2	-17.1	-20.9				-38.5	
GGV Capital VII Plus, LP	1,777,153	0.0		10.7	15.8	15.7	15.7	--	--	--	10.4	Jun-19
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>26.8</u>	Jun-19
Over/Under				-1.7	-5.5	-3.1	-6.9				-16.4	

Please Note: Private Equity performance is shown on a time-weighted return basis. Values are cash adjusted with current month cash flows.



Ventura County Employees' Retirement Association

TOTAL FUND PERFORMANCE DETAIL NET OF FEES

	Market Value (\$)	% of Portfolio	Policy %	1 Mo (%)	Fiscal YTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Astorg VII L.P.	2,185,277	0.0		5.3	44.2	42.9	18.2	--	--	--	-16.5	Jul-19
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>22.3</u>	Jul-19
Over/Under				-7.1	22.9	24.1	-4.4				-38.8	
M/C Partners Fund VIII LP. Limited Partnership	2,653,350	0.0		-1.9	9.2	-35.1	-35.1	--	--	--	-36.1	Jul-19
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>22.3</u>	Jul-19
Over/Under				-14.3	-12.1	-53.9	-57.7				-58.4	
Genstar Capital Partners IX	3,321,487	0.0		15.1	27.3	27.1	25.4	--	--	--	--	Aug-19
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>22.3</u>	Aug-19
Over/Under				2.7	6.0	8.3	2.8					
Genstar IX Opportunities Fund I	1,608,663	0.0		6.0	13.3	12.6	12.5	--	--	--	9.0	Aug-19
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>22.3</u>	Aug-19
Over/Under				-6.4	-8.0	-6.2	-10.1				-13.3	
ABRY Partners IX, LP	5,096,566	0.1		10.7	26.0	-14.1	-14.1	--	--	--	-22.3	Sep-19
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>25.8</u>	Sep-19
Over/Under				-1.7	4.7	-32.9	-36.7				-48.1	
Advent International GPE IX LP	4,269,365	0.1		11.0	33.0	29.0	29.0	--	--	--	19.5	Nov-19
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>25.2</u>	Nov-19
Over/Under				-1.4	11.7	10.2	6.4				-5.7	
Drive Capital Fund III LP	823,563	0.0		0.0	10.1	-9.0	-9.0	--	--	--	-9.0	Dec-19
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>22.6</u>	Dec-19
Over/Under				-12.4	-11.2	-27.8	-31.6				-31.6	
Oak HC/FT Partners III LP	8,718,450	0.1		0.0	16.3	3.2	3.2	--	--	--	3.2	Dec-19
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>22.6</u>	Dec-19
Over/Under				-12.4	-5.0	-15.6	-19.4				-19.4	
TA XIII A LP	4,199,260	0.1		5.6	21.6	1.9	--	--	--	--	1.9	Dec-19
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>18.8</u>	Dec-19
Over/Under				-6.8	0.3	-16.9					-16.9	

Please Note: Private Equity performance is shown on a time-weighted return basis. Values are cash adjusted with current month cash flows.



Ventura County Employees' Retirement Association**TOTAL FUND PERFORMANCE DETAIL NET OF FEES**

	Market Value (\$)	% of Portfolio	Policy %	1 Mo (%)	Fiscal YTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Dover Street X, LP	6,287,160	0.1		0.0	48.4	--	--	--	--	--	32.1	Feb-20
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>18.7</u>	Feb-20
Over/Under				-12.4	27.1						13.4	
Hellman & Friedman CP IX	9,369,156	0.1		7.3	26.9	--	--	--	--	--	-2.5	Apr-20
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>49.0</u>	Apr-20
Over/Under				-5.1	5.6						-51.5	
Clearlake Capital Partners VI	2,842,731	0.0		11.7	11.7	--	--	--	--	--	11.7	Jun-20
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>24.4</u>	Jun-20
Over/Under				-0.7	-9.6						-12.7	
Flexpoint Fund IV	1,496,237	0.0		-3.5	10.7	--	--	--	--	--	10.7	Jun-20
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>24.4</u>	Jun-20
Over/Under				-15.9	-10.6						-13.7	
Battery Ventures XIII	4,396,013	0.1		6.4	2.2	--	--	--	--	--	2.2	Jun-20
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>24.4</u>	Jun-20
Over/Under				-6.0	-19.1						-22.2	
Green Equity Investors VIII, L.P.	313,247	0.0		0.0	--	--	--	--	--	--	0.0	Nov-20
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	<u>12.4</u>	Nov-20
Over/Under				-12.4							-12.4	
CapVest Private Equity Partners IV, SCSp	848,231	0.0		--	--	--	--	--	--	--	--	Dec-20
Russell 3000 + 3%				<u>12.4</u>	<u>21.3</u>	<u>18.8</u>	<u>22.6</u>	<u>16.6</u>	<u>17.3</u>	<u>17.4</u>	--	Dec-20
Over/Under												

Please Note: Private Equity performance is shown on a time-weighted return basis. Values are cash adjusted with current month cash flows.



Ventura County Employees' Retirement Association

TOTAL FUND PERFORMANCE DETAIL NET OF FEES

	Market Value (\$)	% of Portfolio	Policy %	1 Mo (%)	Fiscal YTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total US Fixed Income	965,475,890	14.5	15.0	2.0	3.9	10.3	10.6	6.3	5.4	4.7	6.0	Feb-94
BBgBarc US Aggregate TR				<u>1.0</u>	<u>1.2</u>	<u>7.4</u>	<u>7.3</u>	<u>5.5</u>	<u>4.3</u>	<u>3.7</u>	<u>5.4</u>	Feb-94
Over/Under				1.0	2.7	2.9	3.3	0.8	1.1	1.0	0.6	
BlackRock U.S. Debt Fund	179,115,472	2.7		1.0	1.2	7.5	7.4	5.5	4.4	3.8	5.3	Nov-95
BBgBarc US Aggregate TR				<u>1.0</u>	<u>1.2</u>	<u>7.4</u>	<u>7.3</u>	<u>5.5</u>	<u>4.3</u>	<u>3.7</u>	<u>5.2</u>	Nov-95
Over/Under				0.0	0.0	0.1	0.1	0.0	0.1	0.1	0.1	
Western	307,605,273	4.6		2.1	3.5	10.3	10.6	6.8	5.9	5.3	6.3	Dec-96
BBgBarc US Aggregate TR				<u>1.0</u>	<u>1.2</u>	<u>7.4</u>	<u>7.3</u>	<u>5.5</u>	<u>4.3</u>	<u>3.7</u>	<u>5.2</u>	Dec-96
Over/Under				1.1	2.3	2.9	3.3	1.3	1.6	1.6	1.1	
Reams	341,238,613	5.1		2.0	4.8	11.1	11.4	6.1	5.1	4.3	5.5	Sep-01
Reams Custom Index				<u>0.0</u>	<u>0.1</u>	<u>0.6</u>	<u>0.8</u>	<u>1.8</u>	<u>1.5</u>	<u>1.8</u>	<u>3.6</u>	Sep-01
Over/Under				2.0	4.7	10.5	10.6	4.3	3.6	2.5	1.9	
BBgBarc US Aggregate TR				1.0	1.2	7.4	7.3	5.5	4.3	3.7	4.6	Sep-01
3-Month LIBOR + 3%				0.3	1.3	3.4	3.8	4.9	4.5	3.9	4.8	Sep-01
Loomis Strategic Alpha	47,600,423	0.7		3.1	6.3	9.1	10.0	4.7	4.5	--	3.5	Jul-13
BBgBarc US Aggregate TR				<u>1.0</u>	<u>1.2</u>	<u>7.4</u>	<u>7.3</u>	<u>5.5</u>	<u>4.3</u>	<u>3.7</u>	<u>3.9</u>	Jul-13
Over/Under				2.1	5.1	1.7	2.7	-0.8	0.2		-0.4	
3-Month LIBOR + 3%				0.3	1.3	3.4	3.8	4.9	4.5	3.9	4.1	Jul-13
Loomis Sayles Multi Strategy	89,916,109	1.3		3.0	6.1	11.5	12.4	6.7	6.9	6.3	6.6	Jul-05
Loomis Custom Index				<u>1.8</u>	<u>3.6</u>	<u>6.5</u>	<u>7.2</u>	<u>5.5</u>	<u>5.3</u>	<u>4.6</u>	<u>5.2</u>	Jul-05
Over/Under				1.2	2.5	5.0	5.2	1.2	1.6	1.7	1.4	
BBgBarc US Govt/Credit TR				1.3	1.5	8.8	8.6	6.1	4.9	4.0	4.6	Jul-05
Treasuries	92,916,178	1.4	2.0	0.4	-0.7	12.0	10.8	--	--	--	10.5	Apr-19
Reams 10-Year Treasuries	92,916,178	1.4		0.4	-0.7	12.0	10.8	--	--	--	10.5	Apr-19
BBgBarc US Treasury 7-10 Yr TR				<u>0.3</u>	<u>-0.8</u>	<u>10.3</u>	<u>9.5</u>	<u>6.6</u>	<u>4.5</u>	<u>4.2</u>	<u>9.5</u>	Apr-19
Over/Under				0.1	0.1	1.7	1.3				1.0	

Reams Custom Index: Merrill Lynch 3 Month Libor Constant Maturity Index, prior to February 2013 the Barclays Aggregate.

Loomis Custom Index: 65% BBgBarc US Aggregate, 30% Citigroup High Yield Market Index and 5% JPM Non-US Hedged Bond Index.



Ventura County Employees' Retirement Association

TOTAL FUND PERFORMANCE DETAIL NET OF FEES

	Market Value (\$)	% of Portfolio	Policy %	1 Mo (%)	Fiscal YTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Private Debt	146,201,833	2.2	3.0	5.2	12.1	6.3	6.6	--	--	--	6.6	Jan-18
50% BofA ML US HY BB-B Constrained Index/ 50% Credit Suisse Leveraged Loan Index +150bps				<u>3.0</u>	<u>8.2</u>	<u>4.5</u>	<u>6.3</u>	<u>6.3</u>	--	--	<u>6.3</u>	Jan-18
Over/Under				2.2	3.9	1.8	0.3				0.3	
CVI Credit Value Fund	30,085,314	0.5		0.6	12.5	-1.4	-1.0	--	--	--	3.5	Jan-18
50% BofA ML US HY BB-B Constrained Index/ 50% Credit Suisse Leveraged Loan Index +150bps				<u>3.0</u>	<u>8.2</u>	<u>4.5</u>	<u>6.3</u>	<u>6.3</u>	--	--	<u>6.3</u>	Jan-18
Over/Under				-2.4	4.3	-5.9	-7.3				-2.8	
Monroe Capital Private Credit Fund III	17,657,599	0.3		5.1	11.5	11.2	11.2	--	--	--	11.2	Dec-18
50% BofA ML US HY BB-B Constrained Index/ 50% Credit Suisse Leveraged Loan Index +150bps				<u>3.0</u>	<u>8.2</u>	<u>4.5</u>	<u>6.3</u>	<u>6.3</u>	--	--	<u>7.7</u>	Dec-18
Over/Under				2.1	3.3	6.7	4.9				3.5	
Bluebay Direct Lending Fund III	9,552,910	0.1		2.3	7.2	7.1	8.4	--	--	--	9.1	Apr-19
50% BofA ML US HY BB-B Constrained Index/ 50% Credit Suisse Leveraged Loan Index +150bps				<u>3.0</u>	<u>8.2</u>	<u>4.5</u>	<u>6.3</u>	<u>6.3</u>	--	--	<u>6.9</u>	Apr-19
Over/Under				-0.7	-1.0	2.6	2.1				2.2	
Pimco Private Income Fund	60,401,935	0.9		5.1	11.0	11.3	11.3	--	--	--	10.4	Nov-19
50% BofA ML US HY BB-B Constrained Index/ 50% Credit Suisse Leveraged Loan Index +150bps				<u>3.0</u>	<u>8.2</u>	<u>4.5</u>	<u>6.3</u>	<u>6.3</u>	--	--	<u>6.5</u>	Nov-19
Over/Under				2.1	2.8	6.8	5.0				3.9	
Bridge Debt Strategies III Limited Partner	23,529,177	0.4		12.5	16.3	2.6	--	--	--	--	2.6	Jan-20
50% BofA ML US HY BB-B Constrained Index/ 50% Credit Suisse Leveraged Loan Index +150bps				<u>3.0</u>	<u>8.2</u>	<u>4.5</u>	<u>6.3</u>	<u>6.3</u>	--	--	<u>4.5</u>	Jan-20
Over/Under				9.5	8.1	-1.9					-1.9	
PIMCO Corp Opps Fund III	4,974,898	0.1		9.4	15.8	--	--	--	--	--	33.8	May-20
50% BofA ML US HY BB-B Constrained Index/ 50% Credit Suisse Leveraged Loan Index +150bps				<u>3.0</u>	<u>8.2</u>	<u>4.5</u>	<u>6.3</u>	<u>6.3</u>	--	--	<u>14.0</u>	May-20
Over/Under				6.4	7.6						19.8	



Ventura County Employees' Retirement Association

TOTAL FUND PERFORMANCE DETAIL NET OF FEES

	Market Value (\$)	% of Portfolio	Policy %	1 Mo (%)	Fiscal YTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Real Estate	436,476,158	6.5	8.0	-0.1	-0.3	-2.0	-1.7	2.3	4.1	8.0	7.2	Mar-94
NCREIF ODCE Net				<u>0.0</u>	<u>0.3</u>	<u>-0.7</u>	<u>0.5</u>	<u>4.3</u>	<u>5.7</u>	<u>9.3</u>	<u>7.6</u>	Mar-94
Over/Under				-0.1	-0.6	-1.3	-2.2	-2.0	-1.6	-1.3	-0.4	
Prudential Real Estate	166,741,842	2.5		0.0	0.4	0.7	1.9	5.5	6.6	10.3	6.0	Jun-04
NCREIF ODCE Net				<u>0.0</u>	<u>0.3</u>	<u>-0.7</u>	<u>0.5</u>	<u>4.3</u>	<u>5.7</u>	<u>9.3</u>	<u>6.5</u>	Jun-04
Over/Under				0.0	0.1	1.4	1.4	1.2	0.9	1.0	-0.5	
NCREIF ODCE				0.0	0.5	-0.1	1.4	5.2	6.6	10.3	7.5	Jun-04
UBS Real Estate	255,249,144	3.8		0.0	-0.4	-2.7	-2.8	0.8	2.9	6.7	6.2	Mar-03
NCREIF ODCE Net				<u>0.0</u>	<u>0.3</u>	<u>-0.7</u>	<u>0.5</u>	<u>4.3</u>	<u>5.7</u>	<u>9.3</u>	<u>6.7</u>	Mar-03
Over/Under				0.0	-0.7	-2.0	-3.3	-3.5	-2.8	-2.6	-0.5	
NCREIF ODCE				0.0	0.5	-0.1	1.4	5.2	6.6	10.3	7.7	Mar-03
LaSalle Income + Growth VIII Limited Partnership	14,485,172	0.2		-2.0	-6.9	--	--	--	--	--	-19.0	Mar-20
NCREIF ODCE Net				<u>0.0</u>	<u>0.3</u>	<u>-0.7</u>	<u>0.5</u>	<u>4.3</u>	<u>5.7</u>	<u>9.3</u>	<u>-0.7</u>	Mar-20
Over/Under				-2.0	-7.2						-18.3	
NCREIF ODCE				0.0	0.5	-0.1	1.4	5.2	6.6	10.3	-0.1	Mar-20

Total Real Estate Benchmark: NCREIF ODCE; prior to January 2006, the NCREIF Property Index.

Real Estate managers and NCREIF ODCE are valued on a quarterly basis. Performance is not applicable in mid-quarter months, therefore 0% return is shown.



Ventura County Employees' Retirement Association

TOTAL FUND PERFORMANCE DETAIL NET OF FEES

	Market Value (\$)	% of Portfolio	Policy %	1 Mo (%)	Fiscal YTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Real Assets	454,282,244	6.8	6.0	7.9	8.6	-2.8	0.2	2.0	3.8	--	3.5	Apr-13
Real Assets Index				<u>0.1</u>	<u>1.8</u>	<u>3.1</u>	<u>3.2</u>	<u>4.9</u>	<u>5.3</u>	<u>8.0</u>	<u>5.7</u>	Apr-13
Over/Under				7.8	6.8	-5.9	-3.0	-2.9	-1.5		-2.2	
Bridgewater All Weather Fund	369,208,845	5.5		5.8	8.9	5.9	7.7	6.1	7.1	--	5.7	Aug-13
CPI + 5% (Unadjusted)				<u>0.3</u>	<u>3.0</u>	<u>5.9</u>	<u>6.2</u>	<u>6.9</u>	<u>6.9</u>	--	<u>6.6</u>	Aug-13
Over/Under				5.5	5.9	0.0	1.5	-0.8	0.2		-0.9	
Tortoise Energy Infrastructure	56,917,165	0.9		21.4	5.4	-30.3	-24.9	-11.6	-6.4	--	-4.7	Apr-13
Tortoise MLP Index				<u>21.6</u>	<u>8.6</u>	<u>-29.9</u>	<u>-24.5</u>	<u>-11.1</u>	<u>-6.4</u>	<u>-1.9</u>	<u>-6.9</u>	Apr-13
Over/Under				-0.2	-3.2	-0.4	-0.4	-0.5	0.0		2.2	
Brookfield Infra Fund IV B LP	23,516,126	0.4		9.2	3.1	--	--	--	--	--	3.1	Apr-20
CPI + 2% (Unadjusted)				<u>0.1</u>	<u>1.8</u>	<u>3.1</u>	<u>3.2</u>	<u>3.8</u>	<u>3.9</u>	<u>3.8</u>	<u>2.2</u>	Apr-20
Over/Under				9.1	1.3						0.9	
Harbourvest Real Assets Fund IV L.P.	4,640,108	0.1										
CPI + 2% (Unadjusted)				<u>0.1</u>	<u>1.8</u>	<u>3.1</u>	<u>3.2</u>	<u>3.8</u>	<u>3.9</u>	<u>3.8</u>	<u>3.2</u>	Sep-19
Over/Under												
Overlay	157,054,975	2.4	0.0									
Parametric	107,610,769	1.6										
Abbott Capital Cash	49,444,206	0.7										

Total Real Assets Benchmark CPI + 4% from inception until 6/30/2019; CPI +2% from 6/30/2019 to present.



VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

PRIVATE DEBT LIMITED PARTNERSHIP PERFORMANCE

Fund Name	Vintage Year	Initial Investment Date	Commitment	Capital Called to Date ¹	Outstanding Commitment ¹	Call Ratio	Distributions to Date	Valuation	Total Value	Net Benefit	IRR	Since Inception	
												Distributions to Paid In Multiple (DPI)	Total Value to Paid In Multiple (TVPI)
BlueBay Direct Lending III	2019	02/12/2019	\$25,000,000	\$10,901,877	\$14,098,123	44%	\$2,438,679	\$9,552,910	\$11,991,590	\$1,089,713	8.6%	0.22x	1.1x
Bridge Debt Strategies III	2019	12/20/2019	\$25,000,000	\$24,072,665	\$927,335	96%	\$1,312,521	\$23,529,177	\$24,841,698	\$769,033	3.8%	0.05x	1.03x
CVI Credit Value Fund IV	2017	12/31/2017	\$30,000,000	\$29,100,000	\$900,000	97%	\$6,147	\$30,085,314	\$30,091,461	\$991,461	2.2%	0x	1.03x
Monroe Capital Private Credit Fund III	2018	09/05/2018	\$25,000,000	\$17,652,142	\$7,347,858	71%	\$3,317,508	\$17,657,599	\$20,975,107	\$3,322,965	12.1%	0.19x	1.19x
PIMCO Corporate Opportunities Fund III	2020	01/26/2020	\$50,000,000	\$3,750,000	\$46,250,000	8%	\$37,190	\$4,974,898	\$5,012,088	\$1,262,088	33.8%	0.01x	1.34x
PIMCO Private Income Fund	2019	03/25/2019	\$55,000,000	\$55,000,000	\$0	100%	\$0	\$60,401,935	\$60,401,935	\$5,401,935	14.5%	0x	1.1x
Total VCERA Private Debt Program	--		\$210,000,000	\$140,476,684	\$69,523,316	67%	\$7,112,045	\$146,201,833	\$153,313,879	\$12,837,195	8.8%	0.05x	1.09x

1. Includes recycled/recallable distributions received to date.

Note: Private debt performance data is reported net of fees.

Performance shown is based on 11/30/2020 cash-adjusted market values.



VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION PRIVATE REAL ESTATE LIMITED PARTNERSHIP PERFORMANCE

Fund Name	Vintage Year	Initial Investment Date	Commitment	Capital Called to Date ¹	Outstanding Commitment ¹	Call Ratio	Distributions to Date	Valuation	Total Value	Net Benefit	IRR	Since Inception	
												Distributions to Paid In Multiple (DPI)	Total Value to Paid In Multiple (TVPI)
Lasalle Income & Growth Fund VIII, LP	2019	02/26/2020	\$100,000,000	\$20,172,821	\$79,827,179	20%	\$0	\$14,485,172	\$14,485,172	-\$5,687,650	-19.4%	0x	0.72x
Total VCERA Private Real Estate Program	--		\$100,000,000	\$20,172,821	\$79,827,179	20%	\$0	\$14,485,172	\$14,485,172	-\$5,687,650	-19.4%	0x	0.72x

1. Includes recycled/recallable distributions received to date.

Note: Private Real Estate performance data is reported net of fees.

Performance shown is based on 11/30/2020 cash-adjusted market values.



VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

PRIVATE REAL ASSETS LIMITED PARTNERSHIP PERFORMANCE

Fund Name	Vintage Year	Initial Investment Date	Commitment	Capital Called to Date ¹	Outstanding Commitment ¹	Call Ratio	Distributions to Date	Valuation	Total Value	Net Benefit	IRR	Since Inception	
												Distributions to Paid In Multiple (DPI)	Total Value to Paid In Multiple (TVPI)
Brookfield Infrastructure Fund IV, LP	2019	10/21/2019	\$50,000,000	\$25,244,824	\$27,000,637	50%	\$2,511,321	\$23,516,126	\$26,027,447	\$782,624	3.9%	0.1x	1.03x
Harbourvest Real Assets Fund IV, LP	2019	07/15/2019	\$100,000,000	\$0	\$100,000,000	0%	\$0	\$4,640,108	\$4,640,108	--	--	--	--
Total VCERA Private Real Estate Program	--		\$75,244,824	\$25,244,824	\$127,000,637	34%	\$2,511,321	\$28,156,234	\$30,667,555	\$782,624	3.9%	0.1x	1.21x

1. Includes recycled/recallable distributions received to date.

Note: Private Real Assets performance data is reported net of fees.

Performance shown is based on 11/30/2020 cash-adjusted market values.



Ventura County Employees' Retirement Association**TOTAL FUND**

Cash Flow Summary								
Month Ending November 30, 2020								
	Beginning Market Value	Contributions	Withdrawals	Net Cash Flow	Fees	Net Investment Change	Ending Market Value	Month Return
Abbott Capital Cash	\$56,336,647	\$33,674,380	-\$40,581,295	-\$6,906,915	\$0	\$14,474	\$49,444,206	0.03%
Abbott Secondary Opportunities	\$17,596,041	\$500,000	-\$750,000	-\$250,000	\$0	\$0	\$17,346,041	0.00%
ABRY Partners IX, LP	\$4,601,974	\$0	\$0	\$0	\$0	\$494,592	\$5,096,566	10.75%
Adams Street Global Fund Series	\$189,250,297	-\$687,675	\$0	-\$687,675	\$0	\$0	\$188,562,622	0.00%
Advent International GPE IX LP	\$3,847,073	\$0	\$0	\$0	\$0	\$422,292	\$4,269,365	10.98%
Astorg VII L.P.	\$2,075,509	\$0	\$0	\$0	\$0	\$109,769	\$2,185,277	5.29%
Battery Ventures XII	\$13,408,654	\$141,000	\$0	\$141,000	\$0	\$4,198,916	\$17,748,570	31.23%
Battery Ventures XIII	\$2,770,440	\$1,424,808	\$0	\$1,424,808	\$0	\$200,765	\$4,396,013	6.37%
BlackRock ACWI ex-U.S. Index	\$474,108,386	\$0	\$0	\$0	-\$46,532	\$64,278,781	\$538,387,167	13.55%
BlackRock MSCI ACWI Equity Index	\$663,944,138	\$0	\$0	\$0	-\$26,538	\$82,204,179	\$746,148,317	12.38%
Blackrock Russell 1000 Index	\$1,465,036,197	\$0	\$0	\$0	-\$14,063	\$172,484,583	\$1,637,520,780	11.77%
Blackrock Russell 2500 Index	\$67,709,212	\$0	\$0	\$0	-\$1,312	\$11,033,599	\$78,742,811	16.29%
BlackRock U.S. Debt Fund	\$177,349,602	\$0	\$0	\$0	-\$9,304	\$1,765,871	\$179,115,472	0.99%
Bluebay Direct Lending Fund III	\$7,804,729	\$1,548,562	\$0	\$1,548,562	\$0	\$199,620	\$9,552,910	2.33%
Bridge Debt Strategies III Limited Partner	\$21,504,697	\$0	-\$652,705	-\$652,705	\$0	\$2,677,185	\$23,529,177	12.46%
Bridgewater All Weather Fund	\$348,990,203	\$0	\$0	\$0	-\$110,252	\$20,218,642	\$369,208,845	5.79%
Brookfield Infra Fund IV B LP	\$21,536,425	\$0	\$0	\$0	\$0	\$1,979,702	\$23,516,126	9.19%
Buenaventure One, LLC	\$55,660,635	\$0	\$0	\$0	\$0	\$0	\$55,660,635	0.00%
Buenaventure Two, LLC	\$563,707	\$0	\$0	\$0	\$0	\$1	\$563,707	0.00%
CapVest Private Equity Partners IV, SCSp	\$0	\$709,105	\$0	\$709,105	\$0	\$139,126	\$848,231	--

Ventura County Employees' Retirement Association**TOTAL FUND**

	Month Ending November 30, 2020							
	Beginning Market Value	Contributions	Withdrawals	Net Cash Flow	Fees	Net Investment Change	Ending Market Value	Month Return
Clearlake Capital Partners V	\$11,054,580	\$0	\$0	\$0	\$0	\$1,509,981	\$12,564,561	13.66%
Clearlake Capital Partners VI	\$2,545,879	\$0	\$0	\$0	\$0	\$296,852	\$2,842,731	11.66%
CVI Credit Value Fund	\$29,919,333	\$0	\$0	\$0	\$0	\$165,980	\$30,085,314	0.55%
Dover Street X, LP	\$6,287,160	\$0	\$0	\$0	\$0	\$0	\$6,287,160	0.00%
Drive Capital Fund II	\$20,288,053	\$0	\$0	\$0	\$0	\$0	\$20,288,053	0.00%
Drive Capital Fund III LP	\$823,563	\$0	\$0	\$0	\$0	\$0	\$823,563	0.00%
Drive Capital Overdrive Fund I	\$5,794,870	\$0	\$0	\$0	\$0	\$0	\$5,794,870	0.00%
ECI 11	\$4,544,740	\$0	\$0	\$0	\$0	\$280,068	\$4,824,807	6.16%
Flexpoint Fund IV	\$1,550,949	\$0	\$0	\$0	\$0	-\$54,712	\$1,496,237	-3.53%
Genstar Capital Partners IX	\$2,886,819	\$0	\$0	\$0	\$0	\$434,668	\$3,321,487	15.06%
Genstar IX Opportunities Fund I	\$1,517,085	\$0	\$0	\$0	\$0	\$91,578	\$1,608,663	6.04%
GGV Capital VII L.P.	\$5,877,762	\$457,200	\$0	\$457,200	\$0	\$229,141	\$6,564,103	3.83%
GGV Capital VII Plus, LP	\$1,473,103	\$139,700	\$0	\$139,700	\$0	\$164,350	\$1,777,153	10.75%
GGV Discovery II, L.P.	\$1,188,691	\$73,500	\$0	\$73,500	\$0	\$37,027	\$1,299,218	3.11%
Green Equity Investors VIII, L.P.	\$313,247	\$0	\$0	\$0	\$0	\$0	\$313,247	0.00%
GTCR Fund XII	\$19,537,793	\$0	-\$1,310,508	-\$1,310,508	\$0	\$3,260,646	\$21,487,932	17.19%
Harbourvest	\$117,045,417	\$2,350,000	-\$2,510,887	-\$160,887	\$0	-\$23	\$116,884,507	0.00%
Harbourvest Real Assets Fund IV L.P.	\$4,640,108	\$0	\$0	\$0	\$0	\$0	\$4,640,108	0.00%
Hellman & Friedman CP IX	\$8,733,791	\$0	\$0	\$0	\$0	\$635,365	\$9,369,156	7.27%
Hexavest	\$82,571,478	\$0	\$0	\$0	-\$34,747	\$9,170,517	\$91,741,995	11.06%
Insight Venture Partners X	\$30,676,428	\$0	\$0	\$0	\$0	\$8,424,382	\$39,100,809	27.46%
LaSalle Income + Growth VIII Limited Partnership	\$14,787,774	\$0	\$0	\$0	\$0	-\$302,602	\$14,485,172	-2.05%
Loomis Sayles Multi Strategy	\$87,245,144	\$0	\$0	\$0	-\$28,312	\$2,670,965	\$89,916,109	3.03%



Ventura County Employees' Retirement Association**TOTAL FUND**

	Month Ending November 30, 2020							Month Return
	Beginning Market Value	Contributions	Withdrawals	Net Cash Flow	Fees	Net Investment Change	Ending Market Value	
Loomis Strategic Alpha	\$46,151,861	\$0	\$0	\$0	-\$15,867	\$1,448,562	\$47,600,423	3.10%
M/C Partners Fund VIII LP, Limited Partnership	\$2,705,599	\$0	\$0	\$0	\$0	-\$52,249	\$2,653,350	-1.93%
Monroe Capital Private Credit Fund III	\$17,370,090	\$0	-\$581,891	-\$581,891	\$0	\$869,400	\$17,657,599	5.07%
Oak HC/FT Partners III LP	\$8,718,450	\$0	\$0	\$0	\$0	\$0	\$8,718,450	0.00%
Pantheon Global Secondary Funds	\$43,130,883	\$1,900,000	\$0	\$1,900,000	\$0	-\$4	\$45,030,879	0.00%
Parametric	\$103,659,029	\$0	\$0	\$0	-\$11,912	\$3,951,740	\$107,610,769	3.80%
PIMCO Corp Opps Fund III	\$4,546,154	\$0	\$0	\$0	\$0	\$428,744	\$4,974,898	9.43%
Pimco Private Income Fund	\$57,496,010	\$0	\$0	\$0	\$0	\$2,905,925	\$60,401,935	5.05%
Prudential Real Estate	\$166,741,842	\$0	\$0	\$0	\$0	\$0	\$166,741,842	0.00%
Reams	\$334,403,506	\$0	\$0	\$0	-\$48,905	\$6,835,107	\$341,238,613	2.03%
Reams 10-Year Treasuries	\$92,506,592	\$0	\$0	\$0	\$0	\$409,586	\$92,916,178	0.44%
Riverside Micro Cap Fund V, LP	\$2,923,546	\$0	\$0	\$0	\$0	\$328,126	\$3,251,671	11.22%
Sprucegrove	\$198,386,648	\$0	\$0	\$0	-\$68,234	\$35,137,355	\$233,524,002	17.68%
TA XIII A LP	\$3,977,916	\$0	\$0	\$0	\$0	\$221,344	\$4,199,260	5.56%
The Resolute Fund IV L.P	\$15,752,726	\$1,831,568	-\$379,969	\$1,451,599	\$0	\$3,777,161	\$20,981,486	23.42%
Tortoise Energy Infrastructure	\$65,090,000	\$0	-\$20,000,000	-\$20,000,000	-\$29,644	\$11,827,165	\$56,917,165	21.41%
UBS Real Estate	\$255,249,144	\$0	\$0	\$0	\$0	\$0	\$255,249,144	0.00%
Walter Scott	\$155,714,053	\$0	\$0	\$0	-\$108,959	\$18,454,738	\$174,168,792	11.78%
Western	\$301,122,172	\$0	\$0	\$0	-\$50,951	\$6,483,101	\$307,605,273	2.14%
Western U.S. Index Plus	\$254,774,052	\$0	\$0	\$0	-\$48,075	\$29,824,677	\$284,598,729	11.69%
Total	\$6,185,818,603	\$44,062,148	-\$66,767,255	-\$22,705,107	-\$653,608	\$512,286,754	\$6,675,400,250	8.28%



Information Disclaimer

- Past performance is no guarantee of future results.
- All investments carry some level of risk. Diversification and other asset allocation techniques are not guaranteed to ensure profit or protect against losses.
- NEPC's source for portfolio pricing, calculation of accruals, and transaction information is the plan's custodian bank. Information on market indices and security characteristics is received from other sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- Some index returns displayed in this report or used in calculation of a policy, allocation or custom benchmark may be preliminary and subject to change.
- This report is provided as a management aid for the client's internal use only. Information contained in this report does not constitute a recommendation by NEPC.
- This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

Reporting Methodology

- The client's custodian bank is NEPC's preferred data source unless otherwise directed. NEPC generally reconciles custodian data to manager data. If the custodian cannot provide accurate data, manager data may be used.
- Trailing time period returns are determined by geometrically linking the holding period returns, from the first full month after inception to the report date. Rates of return are annualized when the time period is longer than a year. Performance is presented gross and/or net of manager fees as indicated on each page.
- For managers funded in the middle of a month, the "since inception" return will start with the first full month, although actual inception dates and cash flows are taken into account in all Composite calculations.
- This report may contain forward-looking statements that are based on NEPC's estimates, opinions and beliefs, but NEPC cannot guarantee that any plan will achieve its targeted return or meet other goals.





December 14, 2020

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: ADJUSTED AMORTIZATION SCHEDULE ADOPTION FOLLOW-UP AND FINALIZATION

Dear Board Members:

In April of 2020, the Board of Retirement heard a presentation from VCERA's actuary about approaches to managing "tail volatility," a result of alternating charge and credit actuarial amortization layers being fully paid off (specifically, a charge layer being amortized which decreases the employer UAAL contribution rate followed by a credit layer being amortized which subsequently increases the employer UAAL contribution rate). Proactively coordinating the remaining amortization periods can reduce volatility in the employer contribution rates over the next several years and so allow plan sponsors to budget for more level contributions.

At the April 8, 2020 meeting, the Board was presented with two potential options for adjusting amortization periods in this effort. (The chart illustrating these options is attached.)

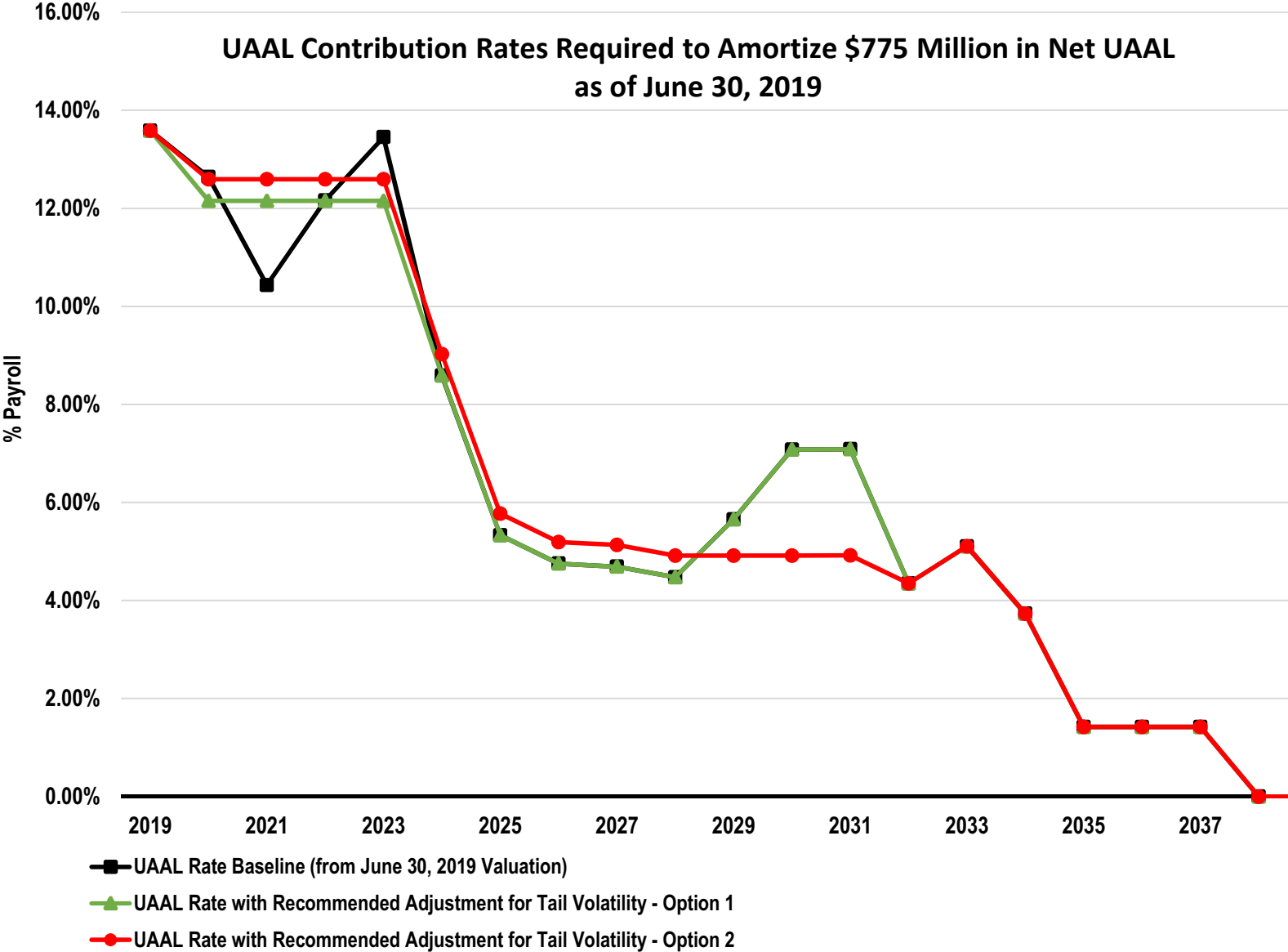
The Board ultimately chose Option 2, approving the following action:

***MOTION:** Direct Segal Consulting to Adjust the Amortization Schedule for Both Periods of Tail Volatility (2020-2024 and 2025-2032) and Return to the Board with a Proposal to Incorporate it into the June 30, 2020 Valuation.*

Today, Segal is providing this proposal in response to the Board's direction in April and to allow the pending June 30, 2020, actuarial valuation to incorporate the directed adjustments. Segal has adjusted the amortization schedule and has incorporated it into the draft June 30, 2020, valuation. Staff recommends the Board approve Segal's proposal to incorporate these adjustments into the final valuation report to be presented in January.

Sincerely,

Linda Webb
Retirement Administrator



Ventura County Employees'
Retirement Association
(VCERA)

UAAL Amortization Periods “Tail Volatility” Adjustments

Paul Angelo, FSA

Segal

December 14, 2020

VCERA UAAL* Amortization Periods – Adjustments to manage “tail volatility”

- See January 24, 2020 Segal letter recommending changes
 - Discussed with Board on April 8, 2020
 - That letter addressed tail volatility in 2020 to 2024
 - April 8 discussion included “Option 2” to also address 2025 to 2032

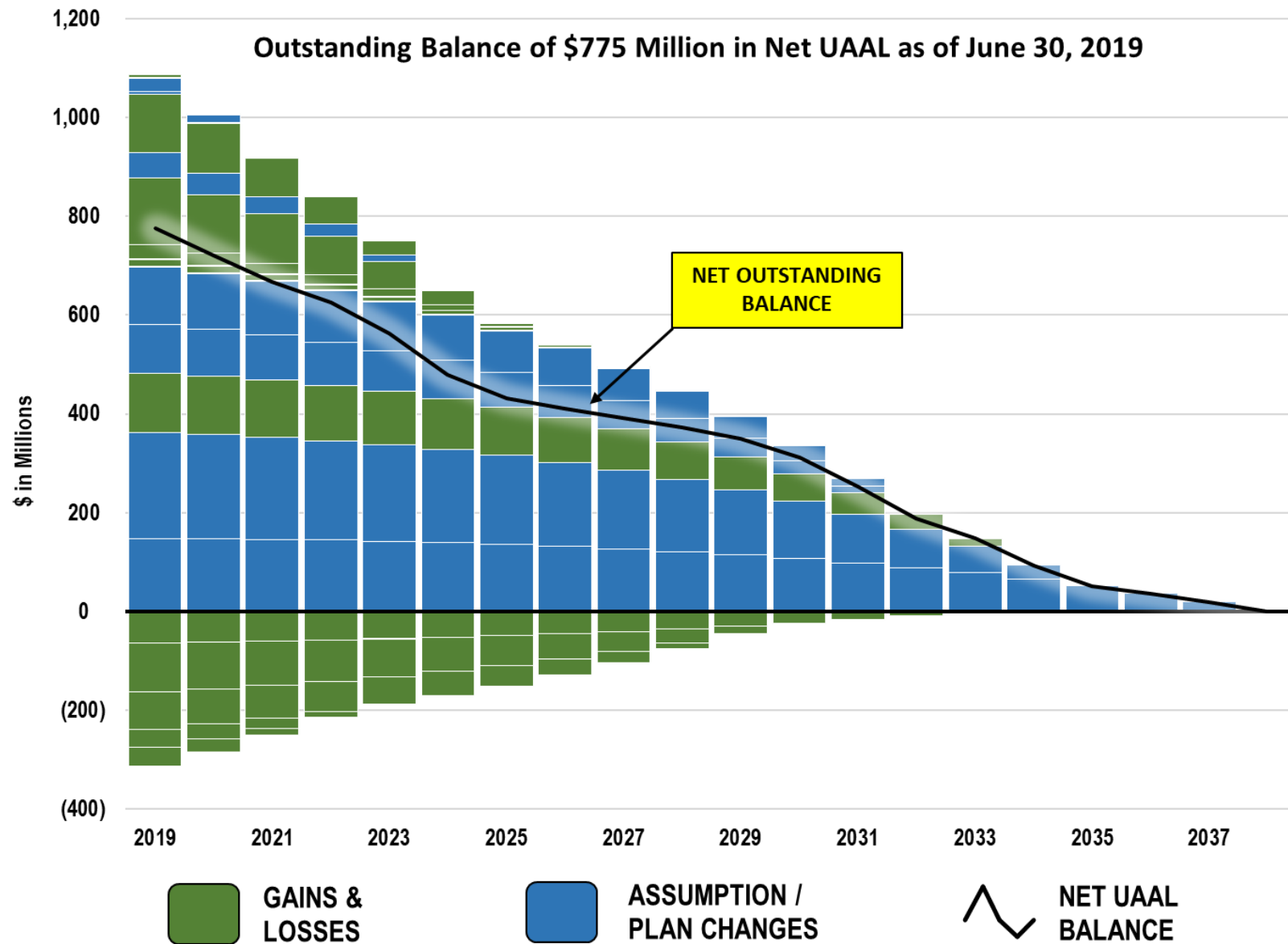
MOTION: Direct Segal Consulting to Adjust the Amortization Schedule for Both Periods of Tail Volatility (2020-2024 and 2025-2032) and Return to the Board with a Proposal to Incorporate it into the June 30, 2020 Valuation.

* Unfunded Actuarial Accrued Liability

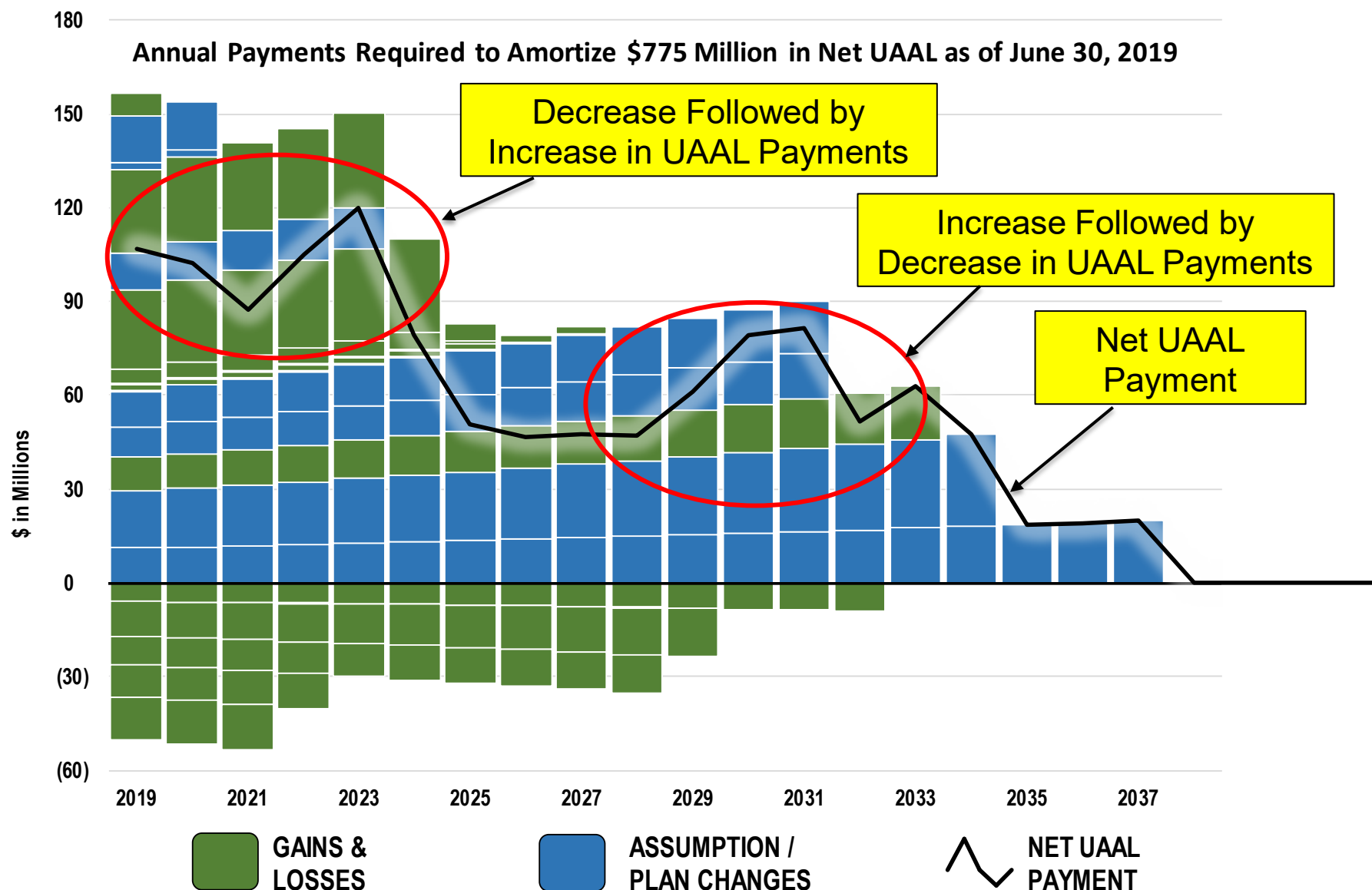
Amortization Schedule as of June 30, 2019

Date Established	Source	Initial Amount (\$ in '000s)	Initial Period	Outstanding Balance (\$ in '000s)	Years Remaining	Amortization Amount (\$ in '000s)
June 30, 2004	Restart of Amortization	\$323,444	15	\$0	0	\$0
June 30, 2005	Actuarial loss	48,849	15	7,146	1	7,422
June 30, 2006	Actuarial loss	1,358	15	374	2	197
June 30, 2006	Assumption change	102,790	15	28,321	2	14,987
June 30, 2006	Plan provision change	14,731	15	4,057	2	2,147
June 30, 2007	Actuarial gain	(96,898)	15	(37,742)	3	(13,566)
June 30, 2008	Actuarial gain	(75,365)	15	(36,897)	4	(10,133)
June 30, 2009	Actuarial loss	204,600	15	118,079	5	26,426
June 30, 2009	Assumption change	91,252	15	52,654	5	11,784
June 30, 2010	Actuarial loss	206,081	15	134,565	6	25,561
June 30, 2011	Actuarial loss	38,155	15	27,412	7	4,545
June 30, 2012	Actuarial loss	4,258	15	3,305	8	488
June 30, 2012	Demographic assumption	123,037	20	115,662	13	11,490
June 30, 2012	Economic assumption	104,278	20	98,025	13	9,738
June 30, 2013	Actuarial loss	15,435	15	12,704	9	1,698
June 30, 2014	Actuarial gain	(87,484)	15	(75,697)	10	(9,273)
June 30, 2015	Actuarial gain	(109,606)	15	(98,680)	11	(11,186)
June 30, 2015	Assumption change	218,002	20	213,528	16	18,152
June 30, 2016	Actuarial gain	(453)	15	(430)	12	(46)
June 30, 2017	Actuarial loss	2,730	15	2,630	13	261
June 30, 2018	Actuarial gain	(64,335)	15	(63,081)	14	(5,922)
June 30, 2018	Assumption change	148,510	20	148,113	19	11,155
June 30, 2019	Actuarial loss	120,814	15	<u>120,814</u>	15	<u>10,769</u>
Total				\$774,862		\$106,694

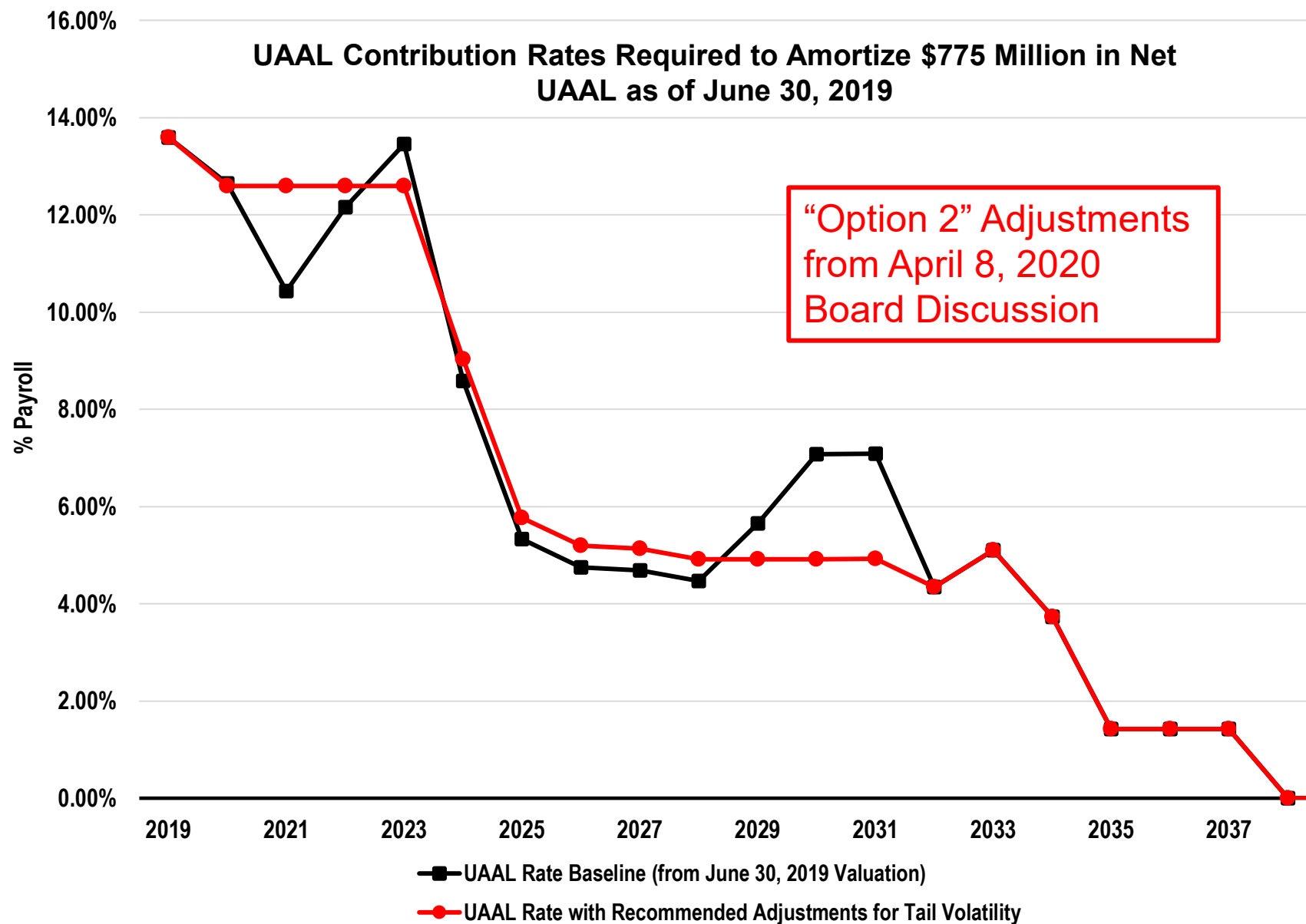
Projection of UAAL Outstanding Balance



Projection of UAAL Amortization Payments



Projection of UAAL Contribution Rate (% of Payroll)



Amortization Schedule as of June 30, 2020 **BEFORE** Recommended Adjustment to Manage UAAL Tail Volatility

Date Established	Source	Initial Amount (\$ in '000s)	Initial Period	Outstanding Balance (\$ in '000s)	Years Remaining	Amortization Amount (\$ in '000s)
Total VCERA						
June 30, 2004	Restart of Amortization	\$323,444	15	\$0	0	\$0
June 30, 2005	Actuarial loss	48,849	15	0	0	0
June 30, 2006	Actuarial loss	1,358	15	196	1	203
June 30, 2006	Assumption change	102,790	15	14,900	1	15,475
June 30, 2006	Plan provision change	14,731	15	2,134	1	2,216
June 30, 2007	Actuarial gain	(96,898)	15	(26,470)	2	(14,007)
June 30, 2008	Actuarial gain	(75,365)	15	(29,108)	3	(10,462)
June 30, 2009	Actuarial loss	204,600	15	99,351	4	27,285
June 30, 2009	Assumption change	91,252	15	44,304	4	12,167
June 30, 2010	Actuarial loss	206,081	15	117,927	5	26,392
June 30, 2011	Actuarial loss	38,155	15	24,705	6	4,692
June 30, 2012	Actuarial loss	4,258	15	3,039	7	504
June 30, 2012	Demographic assumption	123,037	20	112,175	12	11,864
June 30, 2012	Economic assumption	104,278	20	95,070	12	10,054
June 30, 2013	Actuarial loss	15,435	15	11,867	8	1,753
June 30, 2014	Actuarial gain	(87,484)	15	(71,610)	9	(9,574)
June 30, 2015	Actuarial gain	(109,606)	15	(94,282)	10	(11,550)
June 30, 2015	Assumption change	218,002	20	210,260	15	18,743
June 30, 2016	Actuarial gain	(453)	15	(419)	11	(47)
June 30, 2017	Actuarial loss	2,730	15	2,549	12	269
June 30, 2018	Actuarial gain	(64,335)	15	(61,546)	13	(6,115)
June 30, 2018	Assumption change	148,510	20	147,330	18	11,518
June 30, 2019	Actuarial loss	120,814	15	118,452	14	11,119
June 30, 2020	Actuarial gain	(17,088)	15	(17,088)	15	(1,524)
Total				\$703,736		\$100,975

Amortization Schedule as of June 30, 2020 AFTER Recommended Adjustment to Manage UAAL Tail Volatility

Date Established	Source	Initial Amount (\$ in '000s)	Initial Period	Outstanding Balance (\$ in '000s)	Years Remaining	Amortization Amount (\$ in '000s)
Total VCERA						
June 30, 2004	Restart of Amortization	\$323,444	15	\$0	0	\$0
June 30, 2005	Actuarial loss	48,849	15	0	0	0
June 30, 2006	Actuarial loss	1,358	15	196	4 ⁽¹⁾	54
June 30, 2006	Assumption change	102,790	15	14,900	4 ⁽¹⁾	4,093
June 30, 2006	Plan provision change	14,731	15	2,134	4 ⁽¹⁾	586
June 30, 2007	Actuarial gain	(96,898)	15	(26,470)	4 ⁽¹⁾	(7,269)
June 30, 2008	Actuarial gain	(75,365)	15	(29,108)	4 ⁽¹⁾	(7,993)
June 30, 2009	Actuarial loss	204,600	15	99,351	4	27,285
June 30, 2009	Assumption change	91,252	15	44,304	4	12,167
June 30, 2010	Actuarial loss	206,081	15	117,927	5	26,392
June 30, 2011	Actuarial loss	38,155	15	24,705	6	4,692
June 30, 2012	Actuarial loss	4,258	15	3,039	7	504
June 30, 2012	Demographic assumption	123,037	20	112,175	12	11,864
June 30, 2012	Economic assumption	104,278	20	95,070	12	10,054
June 30, 2013	Actuarial loss	15,435	15	11,867	8	1,753
June 30, 2014	Actuarial gain	(87,484)	15	(71,610)	12 ⁽¹⁾	(7,574)
June 30, 2015	Actuarial gain	(109,606)	15	(94,282)	12 ⁽¹⁾	(9,971)
June 30, 2015	Assumption change	218,002	20	210,260	15	18,743
June 30, 2016	Actuarial gain	(453)	15	(419)	11	(47)
June 30, 2017	Actuarial loss	2,730	15	2,549	12	269
June 30, 2018	Actuarial gain	(64,335)	15	(61,546)	13	(6,115)
June 30, 2018	Assumption change	148,510	20	147,330	18	11,518
June 30, 2019	Actuarial loss	120,814	15	118,452	14	11,119
June 30, 2020	Actuarial gain	(17,088)	15	(17,088)	15	(1,524)
Total				\$703,736		\$100,600

⁽¹⁾ Reflects the recommended adjustment to UAAL amortization periods effective June 30, 2020.

VCERA UAAL Amortization Periods– Adjustments to manage “tail volatility”

- Layers established in the June 30, 2006 through 2008 valuations
 - Includes credit layers from 2007 and 2008
 - Currently from 1 to 3 years remaining as of June 30, 2020 valuation
 - Lengthen amortization to 4 years in the June 30, 2020 valuation
 - Synchronizes with charge layers from 2009
- Credit layers established in the June 30, 2013 and 2014 valuations
 - Currently 9 and 10 years remaining as of the June 30, 2020 valuation
 - Lengthen amortization to 12 years in the June 30, 2020 valuation
 - Synchronizes with charge layers from 2012



December 14, 2020

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: SUMMARY OF VCERA STAFF MEETING WITH COUNTY REPRESENTATIVES TO PROVIDE INPUT IN COUNTY-SPONSORED LEGISLATION REGARDING INCLUSION OF FLEX CREDIT IN COMPENSATION EARNABLE

Dear Board Members:

Background

On November 17, 2020, the Ventura County Board of Supervisors authorized County staff to pursue legislation intended to allow and continue inclusion of the entire amount of the County's in-kind benefit, flexible benefit allowance (commonly referred to as "flex credit") in compensation earnable, in light of the *Alameda* ruling. As Retirement Administrator, I attended the Board of Supervisors meeting and delivered a brief statement, relating that VCERA was working to implement the mandate from the Supreme Court in *Alameda*, and if the County were to seek legislation for inclusion of in-kind benefits in compensation earnable calculations, we would request that VCERA's input be considered as part of that effort.

At the November 23, 2020, VCERA business meeting, staff notified the Board of Retirement of these events of the previous week, and that a meeting was scheduled with County staff to allow VCERA to provide such input.

Meeting Summary

On December 2, 2020, this meeting took place; in addition to myself, General Counsel Lori Nemiroff participated from VCERA, and the County participants were Shawn Atin, County Human Resources Director, and Emily Gardner from County Counsel's office.

VCERA staff provided the following input at this meeting and in follow-up e-mails which we believe, if incorporated, would enhance compliance with current law, ensure smooth future administration, and increase the legislation's chances of passing.

- 1) VCERA recommends that the amount included in compensation earnable be limited to: (1) the employee-plus one tiered rate for unions that have adopted tiered rates; and (2) the fixed

amount for all tiers for unions that have not adopted tiered rates, which is comparable to the historic flex credit amount. We recommend this for the following reasons:

- It preserves any claimed vested right to having the previous amount (which is now comparable to the employee-only tiered rate) continue to be included;
 - Limiting inclusion to the employee-only rate translates to lower employer and employee retirement contributions for employees who choose an employee-plus tier;
 - Would likely be more favorable from taxpayers' perspective¹;
 - Because most employees will retire after their dependents have "aged out" of eligibility for health care coverage on the employee's plan, the employees will not have made retirement contributions on amounts that will not be counted in FAC (though not necessarily true for safety members or others who retire with dependents who are under age 26);
 - The previous facts that were the basis for the former rationale for inclusion of the entire flex credit amount have changed; now, employees no longer receive the same amount, and the tier increases are based on number of dependents, and not as compensation for services rendered. This approach allows the policy to retain its integrity (e.g., the rationale for initial inclusion would still support inclusion of the employee-only "base" rate);
 - Including at tiered flex credit rate allows retirement benefits to be subject to manipulation, in that most employers provide health insurance, so County employees with multiple eligible dependents would have the ability to enroll in a County plan in their FAC measurement period in order to receive higher benefits;
 - Including at the new tiered flex credit rate enhances retirement benefits beyond historical amounts - and the Legislature is averse any benefit *enhancements*; thus, we believe this recommendation will increase the likelihood of Legislative approval.
 - GC 31461.4 applies to Los Angeles County, but freezes the amount of flex credit to the amount included in comp earnable to the 1996 rates for represented groups and 1995 rates for non-represented groups. Stating in the legislation that the employee + one rate for tiered flex, and base flex rate for non-tiered flex, would be more consistent with this existing legislation.
- 2) GC 31461 defines compensation earnable as average compensation for the period under consideration based on the average number of days ordinarily worked by persons in same grade or class. This establishes the concept that compensation earnable is related to compensation paid for services, and tied to average number of days worked by persons in same group or class, and not tied to compensation that is based on the number of dependents the employee is eligible to choose and does cover under his/her health insurance plan.
- 3) Regarding the suggestion that the legislation "*unless and until the board of supervisors, by resolution, determines that such flexible benefits or cafeteria plan allowance shall not be considered compensation earnable...*" (quoted from County staff's letter to the Board of Supervisors), VCERA would oppose any wording that transfers authority to determine whether

¹ This is in reference to the Ventura County Taxpayers' Association's (VCTA) previous public position that flex credit should be excluded from County employees' pension calculations, as reflected in a February 2011 OP ED by VCTA's President, published in the Ventura County Star.

any payments are compensation earnable. We asked about the County's intent as far as preserving flexibility to discontinue inclusion of flex credit in the future, to which Mr. Atin and Ms. Gardner responded that the approach on this issue was still being considered. We offered to assist with drafting the wording when the approach was determined.

- 4) VCERA staff suggested that the legislation contain language to make it retroactive to cover all past inclusion of flex credit in compensation earnable by VCERA.
- 5) VCERA suggested further conversations regarding whether the legislative proposal will apply to all VCERA plan sponsors, or whether it would apply to VCERA plan sponsors by election.
- 6) VCERA also recommended some technical suggestions. Examples include using "compensation earnable," which is applicable to legacy members, rather than "pensionable compensation," which is applicable to PEPRAs members; also, to refer to Ventura County as a county of the 13th class, as it is identified in CERL.

Mr. Atin and Ms. Gardner asked clarifying questions, particularly about limiting the amount of the flex credit at a universal fixed amount, as opposed to applying the current tiers, which increase the amount of flex credit based on the number of dependents being covered. Mr. Atin expressed his view that maintaining the current tiered approach was acceptable, comparing it to educational incentive pay items, which are not universal across members of a group or class. As for VCERA's suggesting that avoiding the tiered approach would be more favorable from a taxpayer's perspective, Mr. Atin related that the Ventura County Taxpayers' Association (VCTA) had indicated they did not object to keeping the "status quo," though it was unclear if that was in the context of tiered rates which went into effect for the first time in January of 2020. Regarding the 3rd input item, Ms. Gardner related that the intent of the legislation was not to diminish the existing authority of the Board of Retirement to make determinations of what items qualify for inclusion. Finally, Mr. Atin expressed the County's desire that VCERA staff recommend that your Board affirmatively support the legislation. VCERA reiterated that we could recommend non-opposition or a neutral position, but that it would not be appropriate to advocate for what we view to be a benefit enhancement in light of the *Alameda* decision.

We appreciated the opportunity to provide our input to the County as they begin their legislative efforts on this issue.

Staff will be happy to answer any questions at the December 14, 2020, business meeting.

Sincerely,



Linda Webb
Retirement Administrator



December 1, 2020

To: Linda Webb

From: Leah Oliver, Chief Technology Officer

SUBJECT: REQUEST FOR APPROVAL OF AMENDMENT TO CONTRACT WITH BRENTWOOD I.T. TO EXTEND CONTRACT TERM

Brentwood I.T.'s current contract was executed on July 1, 2020 and is scheduled to terminate on December 31, 2020.

After reviewing the current budgetary amounts, upcoming scheduled leave for the Senior Information Technology Specialist in Spring 2021 and delayed project completion by Brentwood I.T., it was determined that the contract end date of Brentwood I.T.'s contract would need to be extended through June 30, 2021.

This board letter is to request an extension of the contract end date and a revised scope of work. No changes are needed to the previously approved "Not to Exceed" (NTE) dollar amount. The current NTE should be sufficient to cover the extended term.

Due to complexities that arose as part of the projects assigned to Brentwood I.T. and the current pandemic, the completion of the assigned projects, have taken longer than expected. During the extension of this contract, Brentwood I.T. will be responsible for completing outstanding projects and providing backup support to the Senior Information Technology Specialist while on leave or upon request. Backup support would include but not be limited to troubleshooting the: Boardroom Audio/Visual equipment, data backups, desktop applications, server room, server hardware and software, iPads, security equipment, and tasks designed by the Chief Technology Officer.

A contract amendment for the Performance Period and Attachment A is provided.

AMENDMENT TO THE PROFESSIONAL SERVICES CONTRACT
BY AND BETWEEN
VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
AND
BRENTWOOD IT

This Amendment to the Professional Services Contract effective as of July 1, 2019 by and between Ventura County Employees' Retirement Association ("Client") and Brentwood IT ("CONTRACTOR") is effective as of January 1, 2021.

WHEREAS, the parties to the Agreement desire to amend the Agreement as provided herein;

1. Item number 3 PERFORMANCE PERIOD replaced with the following:
This contract will be effective as of January 1, 2021 and will be for the period January 1, 2021 through June 30, 2021.
2. ATTACHMENT A: SCOPE OF WORK, of the Agreement to be replaced in its entirety with the following:

CONTRACTOR will provide VCERA with support of technology projects and functions as requested by the VCERA's Chief Technology Officer (CTO), on a time and materials basis, effective January 1, 2021, for the period January 1, 2021 through June 30, 2021. This SCOPE OF WORK shall only cover the services provided by Brentwood IT.

CONTRACTOR and the CTO will mutually agree on an accepted (onsite/remote) schedule based on support needs and requirements. Hours will encompass direct support of the audio visual equipment in the VCERA Boardroom, VCERA Server Room, VCERA Contractor Network and Infrastructure, VCERA business and staff support and completion of previously assigned projects.

Specifically, the CONTRACTOR will work under the direction of the CTO and be responsible for providing support for: business related critical infrastructure, hardware and software applications; automated systems/functions; and additional technologies utilized exclusively by VCERA which are not supported by the Ventura County Information Technology Services Department.

Listed below are previously assigned projects, approved for completion by the VCERA Board of Trustees. These tasks are in progress and would be best suited to be completed, documented fully and the knowledge transferred to VCERA IT by the CONTRACTOR:

- **Clustered Virtual Server Upgrade**

- **Liberty Document Conversion**
- **Passwords/Security Documentation**
- **Infrastructure Documentation**

Additional backup support tasks outlined below require CONTRACTOR support in the absence of the Senior Information Technology Specialist or when requested by the CTO. Tasks may include but are not limited to, technology related items that must be supported to ensure the uptime, security and consistency of VCERA's IT infrastructure:

- **Provide backup support upon request for current processes and protocols surrounding server maintenance and support. This includes, but is not limited to providing backup support on new installations, upgrades, security patching, and troubleshooting to meet VCERA business needs and minimize impact to business processes.**
- **Provide backup support upon request to troubleshoot the VCERA Contractor network support, including VCERA WiFi, network and switching equipment, infrastructure monitoring software, firewall, provide support to VCERA Mobile Device Network and iPads.**
- **Other duties and tasks as assigned by the CTO.**

This Amendment shall amend and is incorporated into and made part of the Agreement.

IN WITNESS WHEREOF the parties have caused this Amendment to be executed in duplicate by their duly authorized officers, who represent that they have the authority sufficient to do so, as of the Effective Date.

Brentwood IT

Ventura County Employees' Retirement Association

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

AMENDMENT TO THE PROFESSIONAL SERVICES CONTRACT
BY AND BETWEEN
VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
AND
BRENTWOOD IT

This Amendment to the Professional Services Contract effective as of July 1, 2019 by and between Ventura County Employees' Retirement Association ("Client") and Brentwood IT ("CONTRACTOR") is effective as of January 1, 2020¹.

WHEREAS, the parties to the Agreement desire to amend the Agreement as provided herein;

1. Item number 3 PERFORMANCE PERIOD replaced with the following:
This contract will be effective as of July-January 1, 2019-2021 and will be for the period July-January 1, 2021-19 through December-June 30, 202131, 2020.
2. ATTACHMENT A: SCOPE OF WORK, of the Agreement to be replaced in its entirety with the following:

~~CONTRACTOR will provide VCERA with support of technology projects and functions as requested by the VCERA Chief Technology Officer, on a time and materials basis, effective July 1, 2020, for the period July 1, 2020 through December 31, 2020. This SCOPE OF WORK shall only cover the services provided by Brentwood IT.~~

~~CONTRACTOR and Chief Technology Officer will mutually agree on an accepted (onsite/remote) schedule based on support needs and requirements. Hours will encompass direct support of the audio-visual equipment in the VCERA Boardroom, remaining Server Room tasks from the remodel, training/knowledge transfer to VCERA IT staff and completion of previously assigned projects.~~

~~Specifically, the CONTRACTOR will work under the direction of the VCERA Chief Technology Officer and be responsible for providing training and guidance for: business related critical infrastructure, hardware and software applications; automated systems/functions; and additional technologies utilized exclusively by VCERA which are not supported by the Ventura County Information Technology Services Department.~~

~~Listed below are previously assigned projects, approved for completion by the VCERA Board of Trustees. These tasks are specific to CONTRACTOR's historical knowledge and prior support and the VCERA~~

~~Chief Technology Officer would like for these items to be documented fully and the knowledge to be transitioned to VCERA IT Staff:~~

- ~~• Clustered Virtual Server Upgrade~~
- ~~• UPS/Power Automated Server Shutdown~~
- ~~• Liberty Document Conversion~~
- ~~• Infrastructure Monitoring Software Configurations~~
- ~~• Passwords/Security Documentation~~
- ~~• Infrastructure Documentation~~
- ~~• Technology Hardware Surplus~~

~~Additional support tasks outlined below require CONTRACTOR transfer of knowledge to VCERA IT staff. Tasks include but are not limited to, technology related items that must be supported to ensure the uptime, security and consistency of VCERA's IT infrastructure:~~

- ~~• Train VCERA IT on current processes and protocols surrounding server maintenance and support which includes, but is not limited to new installations, upgrades, security patching, and troubleshooting to meet VCERA business needs and minimize impact to business processes.~~
- ~~• Train VCERA IT on current configurations of VCERA Contractor network support, including VCERA WiFi, network and switching equipment, infrastructure monitoring software, firewall, provide support to VCERA Mobile Device Network and iPads.~~
- ~~• Work directly with VCERA IT and third party consultants to complete remaining configurations and documentation of the Server Room and Boardroom Audio Visual.~~
- ~~• Train VCERA IT on current processes to transition support of the backup environment.~~
- ~~• Other duties and tasks as assigned by the VCERA Chief Technology Officer.~~

CONTRACTOR will provide VCERA with support of technology projects and functions as requested by the VCERA's Chief Technology Officer (CTO), on a time

and materials basis, effective January 1, 2021, for the period January 1, 2021 through June 30, 2021. This SCOPE OF WORK shall only cover the services provided by Brentwood IT.

CONTRACTOR and the CTO will mutually agree on an accepted (onsite/remote) schedule based on support needs and requirements. Hours will encompass direct support of the audio visual equipment in the VCERA Boardroom, VCERA Server Room, VCERA Contractor Network and Infrastructure, VCERA business and staff support and completion of previously assigned projects.

Specifically, the CONTRACTOR will work under the direction of the CTO and be responsible for providing support for: business related critical infrastructure, hardware and software applications; automated systems/functions; and additional technologies utilized exclusively by VCERA which are not supported by the Ventura County Information Technology Services Department.

Listed below are previously assigned projects, approved for completion by the VCERA Board of Trustees. These tasks are in progress and would be best suited to be completed, documented fully and the knowledge transferred to VCERA IT by the CONTRACTOR:

- Clustered Virtual Server Upgrade
- Liberty Document Conversion
- Passwords/Security Documentation
- Infrastructure Documentation

Additional backup support tasks outlined below require CONTRACTOR support in the absence of the Senior Information Technology Specialist or when requested by the CTO. Tasks may include but are not limited to, technology related items that must be supported to ensure the uptime, security and consistency of VCERA's IT infrastructure:

- Provide backup support upon request for current processes and protocols surrounding server maintenance and support. This includes, but is not limited to providing backup support on new installations, upgrades, security patching, and troubleshooting to meet VCERA business needs and minimize impact to business processes.
- Provide backup support upon request to troubleshoot the VCERA Contractor network support, including VCERA WiFi, network and switching equipment, infrastructure monitoring software, firewall, provide support to VCERA Mobile Device Network and iPads.

- Other duties and tasks as assigned by the CTO.

This Amendment shall amend and is incorporated into and made part of the Agreement.

IN WITNESS WHEREOF the parties have caused this Amendment to be executed in duplicate by their duly authorized officers, who represent that they have the authority sufficient to do so, as of the Effective Date.

Brentwood IT

Ventura County Employees’ Retirement Association

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____



December 14, 2020

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: RECOMMENDATION TO APPROVE 2021 RATES FOR NOSSAMAN LLP WITH ADJUSTMENT TO DISCOUNT FEES FOR CERTAIN LITIGATION

Dear Board Members:

VCERA's agreement with its fiduciary counsel, Nossaman, LLP., allows for annual rate increases with notice given. Thus, such rate adjustments are not typically brought to the Board for approval. However, in this instance, the adjustment includes a modest reduction of the current 15% discount VCERA receives on Ms. Dunning's rate to 10% for litigation services are covered by VCERA's fiduciary insurance ("Covered Litigation Services"). The 10% reduction is what Nossaman typically provides to its public pension clients. The 15% discount VCERA receives on other matters is reserved only for long-term clients, and will continue for all other matters.

Staff believes such an adjustment is reasonable. Further, Nossaman has confirmed that the 15% discount would apply for services not covered by fiduciary insurance.

RECOMMENDATION: APPROVE 2021 RATES FOR NOSSAMAN LLP WITH FEE DISCOUNT ADJUSTMENT.

Sincerely,

Linda Webb
Retirement Administrator



ATTORNEYS AT LAW

50 California Street
34th Floor
San Francisco, CA 94111
T 415.398.3600
F 415.398.2438

Ashley K. Dunning
D 415.438.7228
adunning@nossaman.com

Refer To File # -501702-0001

BY EMAIL

December 1, 2020

Ms. Linda Webb
Retirement Administrator
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

Re: 2021 Billing Rate Increases

Dear Ms. Webb:

We are writing to thank you for the opportunity to work with you and to advise you of a change applicable to our future invoices for services we render to VCERA during 2021.

We at Nossaman LLP strive to provide you and all of our clients with excellent service at cost-effective rates. Occasionally our firm management makes changes in attorney and paralegal billing rates to reflect cost of living increases and changes in the marketplace. Effective January 1, 2021, our standard rates¹ have increased, but we will continue to offer VCERA a small-plan longevity-based discount of 15% off Ashley's standard hourly rate for advice and counsel services. We provide a 10% discount off legal fees of all others and propose a 10% discount off Ashley's hourly rate for litigation services that are covered by VCERA's fiduciary insurance ("Covered Litigation Services"). Attached is a rate sheet with the 2021 rates for the team members who have served VCERA on one or more matters in the last year and/or potentially may serve VCERA during the upcoming year, as well as their 2021 discounted rates for VCERA.

We believe you will find that even with the increase, our rates remain competitive. Information on the billing rates for other attorneys or paralegals in the firm is available upon request. Please do not hesitate to contact either of us if you have any questions about the rate increase, or suggestions for how we might improve our services for you. We value your business and look forward to continuing to provide legal services to VCERA. Best wishes for a successful 2021.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Ashley K. Dunning'.

Ashley K. Dunning
Nossaman LLP

A handwritten signature in blue ink, appearing to read 'Yuliya Oryol'.

Yuliya Oryol
Nossaman LLP

Attachment

¹ "Standard Rate" is a preferred rate provided to current clients. It is approximately 15% lower than our current National Rates.

December 1, 2020
Page 2

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

2021 RATES

<u>Team Members</u>	2021 Standard Hourly Rates	2021 Discounted Rate for VCERA
Ashley Dunning (P)	\$690	\$621, Covered Litigation Services \$587, all other services
Yuliya Oryol (P)	\$690	\$621
Peter Mixon (P)	\$690	\$621
Douglas Schwartz (P)	\$725	\$653
Anna Tang (P)	\$595	\$536
Courtney Krause (A)	\$500	\$450
Alex Westerfield (A)	\$475	\$428
Aaron Tager (CA)	\$450	\$405
Aalia Taufiq (A)	\$400	\$360
Hannah Guo (A)	\$385	\$347

P = Partner
A = Associate
CA = Contract Attorney



December 14, 2020

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

**SUBJECT: RECOMMENDATION TO APPROVE VCERA'S CTO TO PURSUE BOARD POSITION ON THE
PUBLIC RETIREMENT INFORMATION SYSTEMS MANAGEMENT (PRISM) BOARD**

Dear Board Members:

Provided is a memorandum from VCERA's Chief Technology Officer, Leah Oliver, to request authorization to run for a position on the Public Retirement Information Systems Management (PRISM) board. While the additional travel costs involved are modest and well within my authority as Retirement Administrator to approve, the item is brought to the Board to ensure its approval given the position is for a two-year term on the organization's governing board.

In my opinion that if elected, Ms. Oliver is able to handle the additional responsibilities without interference of her VCERA duties, which will always be the first priority. Further, her memorandum accurately describes advantages to VCERA of her serving PRISM in this way.

Staff will be pleased to answer any questions at the December 14, 2020, board meeting.


Sincerely,

Linda Webb
Retirement Administrator



December 14, 2020

To: Linda Webb, Retirement Administrator

From: Leah Oliver, Chief Technology Officer 

SUBJECT: Request for Authorization for VCERA CTO to Pursue a Position on the Public Retirement Information Systems Management (PRISM) Board

The West Coast District Director position on the PRISM Board is up for election in Spring 2021 and I am interested in running for this position.

My participation on the PRISM Board would be of value to VCERA in the form of professional advantages, such as insights into operations of other retirement systems and expanded networking opportunities with those systems and their various vendors. It would provide opportunities for me, as the Chief Technology Officer, to further develop my strategic executive leadership skills.

The West Coast Director position is a 2 year term with the option to run for re-election and oversees District 1, covering western areas of the US and Canada. District 1, designated the "West District," includes the states of Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming; if further includes the following provinces or territories of Canada: Alberta, British Columbia, Northwest Territories, Saskatchewan and Yukon.

If elected as West Coast District Director, I would have a seat on the PRISM's governing board, and represent the District 1 states and provinces. The primary responsibilities of this position are: work alongside the South District Director to connect with the West District Retirement Systems and confirm membership status; communicate with sponsors and vendors in advance of the annual PRISM Conference; assist with pre-conference planning and preparation; introduce speakers at breakout sessions; and, assist with conference registration and other conference details.

The PRISM Board meets once a month virtually, and twice a year in-person, though one of the in-person meetings is prior to the annual conference, which I already attend as VCERA's CTO. ¹ An additional time commitment of approximately 10-15 hours per year would be required, not including travel time. The in-person meetings are typically at the conference location and are scheduled in the Fall for 3 days and 2 additional days during the conference.

¹ (In-person meetings are currently suspended as a result of COVID-19 precautions).

The additional financial cost to VCERA per fiscal year would be limited to an estimated \$3,500 - \$4,000, depending on location, as the travel cost for an annual PRISM conference attendee is already budgeted.

I have confidence in my ability to take on this role without hindering the performance of my responsibilities as CTO of VCERA; however, should an issue with competing priorities arise, my first priority would continue to be the needs of VCERA. Additionally, any PRISM-related travel from the office would occur only when my staff is well equipped to provide support to VCERA staff and trustees in my absence. I would further ensure my accessibility, should my guidance be required.

Thank you for your consideration.



December 14, 2020

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: ESTABLISHMENT OF VCERA BOARD OF RETIREMENT FINANCE-SUBCOMMITTEE

Dear Board Members:

At the May 18, 2020, Board of Retirement meeting, staff presented the proposed budget for fiscal year 2020-2021. During board deliberations, Trustee Sedell suggested the creation of a Finance-Subcommittee comprised of 2-3 trustees to review the existing budget in depth prior to formal presentation to the Board for consideration. Staff agrees that establishment of a Finance-Subcommittee would be beneficial to VCERA and would provide an avenue for committee board members to more closely explore and examine VCERA's fiscal operations and budget development process, and report back to the Board as a whole, potentially saving a significant amount time during regular scheduled board meetings. Staff suggests that the Finance-Subcommittee members be appointed for a one-year period from January 1 through December 31 for each calendar year. The Finance-Subcommittee would meet regularly, or as needed, to discuss and provide direction to staff on the existing budget process, including recommending changes and/or improvements to existing processes and development of the annual budget and the corresponding documents presented to the Board. In addition, the Finance-Subcommittee would review the proposed annual budget in greater detail with staff before it is formally presented to the entire board for consideration. If deemed favorable by the Board, the Finance-Subcommittee also could review or explore other fiscal topics or procedures, such as the annual financial audit and scope, an internal audit and scope, and other fiscal matters as they arise.

RECOMMENDATION: ESTABLISH A FINANCE-SUBCOMMITTEE OF THE BOARD AND APPOINT MEMBERS TO SERVE FOR THE PERIOD OF JANUARY 1 THROUGH DECEMBER 31, 2021.

Staff will be pleased to respond to any questions you may have on this matter at the December 14, 2020 combined disability/business meeting.

Sincerely,

Linda Webb
Retirement Administrator



December 14, 2020

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: DETERMINATION OF TRUSTEE TOWNER'S "ACTIVE" STATUS AND RESUMPTION OF BOARD POSITION AS ALTERNATE SEVENTH (SAFETY) MEMBER AS OF OCTOBER 22, 2020

Dear Board Members:

Background

As the Board is aware, Tracy Towner has been ineligible to serve as a trustee during a good deal of his current term of office. This was a result of his termination of employment as a County employee, an action which was later overturned by the Civil Service Commission ("CSC"). He returned as a trustee in 2019 from mid-July to mid-October, though the County did not allow him to return to work during that time. The County challenged the CSC's reinstatement order and a "stay" was issued by the Superior Court on the CSC's order.

Trustee Towner again resumed his position on the Board of Retirement following a Superior Court Order ruling issued on October 22, 2020, denying the County's Petition for Writ of Mandate and ordering dismissal of the action. On November 9, 2020, Chair Goulet designated Trustee Towner to serve on the ad hoc litigation committee to replace Trustee Ashby, whose firefighting duties were making it difficult for him to be available for the committee's meetings.

Objections by the County of Ventura

On November 19, 2020, the ad hoc committee, along with VCERA staff and fiduciary counsel, met virtually with the County and labor groups with their respective legal counsels. At that meeting, Emily Gardner from County Counsel's office noted Trustee Towner's presence and stated the County's position that he was ineligible to serve on the Board and thus the committee. VCERA General Counsel Lori Nemiroff stated VCERA's position that, unless or until a stay order from the Court of Appeal was obtained by the County, Towner was eligible to serve as a trustee.

On November 25, 2020, VCERA's General Counsel received a letter from Ventura County's Acting County Counsel, Michael Walker (provided). The letter asserted that Towner was ineligible to serve as a trustee because as he had not been reinstated by the County to active status; further, the County demanded that the Board of Retirement take action to cease Towner's participation in (other than as a member of the public) and voting on matters at Board of Retirement meetings.

It is staff's position that VCERA's General Counsel's analysis is correct, and that Trustee Towner is currently eligible to serve as a trustee on the Board of Retirement until the end of his term on December 31, 2020, barring issuance of a legal stay of the Superior Court's ruling. A confidential memorandum from Ms. Nemiroff has been provided to the Board that details her legal analysis and basis for her legal determination of Towner's eligibility.

Staff will be pleased to answer any questions at the December 14, 2020, board meeting.

Sincerely,

A handwritten signature in cursive script, appearing to read "Linda Webb".

Linda Webb
Retirement Administrator

MICHAEL G. WALKER
COUNTY COUNSEL

JEFFREY E. BARNES
CHIEF ASSISTANT

ALBERTO BOADA
PRINCIPAL ASSISTANT



COUNTY COUNSEL

COUNTY GOVERNMENT CENTER
800 SOUTH VICTORIA AVENUE, L/C #1830
VENTURA, CALIFORNIA 93009
PHONE NO. (805) 654-2580
FAX NO. (805) 654-2185

ASSISTANTS

Lisa Canale	John E. Polich
Phebe W. Chu	Marina Porche
Mitchell B. Davis	Joseph J. Randazzo
Emily T. Gardner	Jaclyn Smith
Alison L. Harris	Matthew A. Smith
Cynthia Krause	Linda L. Stevenson
Karen V. Marble	Thomas W. Temple
Brett B. McMurdo	Francesca S. Verdin
Ilene F. Mickens	Eric Walts
Sean A. Perez	

November 25, 2020

VIA E-MAIL

Lori A. Nemiroff
General Counsel
Ventura County Employees' Retirement Association
190 South Victoria Avenue, Suite 200
Ventura, California 93009

Re: Tracy Towner

Dear Ms. Nemiroff:

As has been previously brought to your attention, Tracy Towner is not eligible to serve on the Board of Retirement as an active safety member. He was terminated from employment by the County of Ventura in 2018 and has not been reinstated. I am not aware that he has any other employment that would make him eligible to serve as an active safety member.

Nevertheless, it appears that Mr. Towner is purporting to act as a member of the Board of Retirement, both participating in and voting on matters at meetings of the Board of Retirement. His participation and voting place all actions taken by the Board of Retirement at those meetings in jeopardy, as either void or voidable. Since most of the actions taken by the Board of Retirement affect the County of Ventura, the County of Ventura has a direct interest in seeing that the Board of Retirement acts only with a properly constituted board. That is not happening now.

The apparent failure of your office to advise the Board of Retirement of Mr. Towner's ineligibility and the consequences of his illegal participation at meetings seems

Lori A. Nemiroff
November 25, 2020
Page 2

at odds with the recent focus your office has placed on the Board of Retirement's "fiduciary" obligations. If there is legal support for a terminated employee to continue to serve on the Board of Retirement as an active safety member, please provide it to me. Otherwise, the County demands that the Board of Retirement take action to cease Mr. Towner's participation in (other than as a member of the public) and voting on matters at Board of Retirement meetings.

Very truly yours,

A handwritten signature in black ink that reads "Michael G. Walker". The signature is written in a cursive, flowing style.

MICHAEL G. WALKER
County Counsel

MGW:tdb



December 14, 2020

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: APPOINTMENT OF 2021 CHAIR AND VICE CHAIR

Dear Board Members:

The Board of Retirement Bylaws and Regulations require the Board to take action at the first meeting in December to appoint a Chair and Vice Chair for the upcoming calendar year. The Regulations state that no member shall serve in either capacity until he/she has served on the Board for a minimum of one year.

I will be pleased to respond to any questions you may have at the December 14, 2020, meeting.

Sincerely,

Linda Webb
Retirement Administrator



EDELSTEIN GILBERT ROBSON & SMITH^{LLC}

Donald B. Gilbert Michael R. Robson Trent E. Smith Jason D. Ikerd^{Associate}

December 1, 2020

TO: State Association of County Retirement Systems

FROM: Mike Robson, Trent Smith, and Bridget McGowan, Edelstein Gilbert Robson & Smith, LLC

RE: **Legislative Update – December 2020**

With election season coming to the close, the Legislature is now looking toward the 2021-2022 Legislative Session. Next session, the Senate will be comprised of 31 Democrats and 9 Republicans while the Assembly will have 60 Democrats, 19 Republicans and an Independent.

On December 7th, the Senate and the Assembly will convene their organizational sessions. During this time, both bodies will elect various officers and leadership positions like the Speaker and Pro Tem, the Chief Clerk/Secretary of the Senate and Sergeant-at-Arms for each house. The new members of each house will also be sworn in, and some members will introduce the first bills of session. The leadership for this session is expected to stay the same, with Assemblymember Rendon remaining as Assembly Speaker and Senator Atkins holding her post as Senate President Pro Tempore. After this organizational session, the members will again return to their districts and remain there until the first day of session on January 4th.

Once they are back in January, legislators have until February 19th to introduce bills. It remains to be seen if we will see similar reductions in bill volume due to the COVID-19 pandemic as seen in 2020, or if the Legislature will resume its typical high volume of bills.

By January 10th, the Governor will also release the first draft of the 2021-22 budget. This fiscal year will end with a \$26 billion surplus due to cuts and higher revenues. While the state's budget outlook has considerably improved, the Legislative Analyst's Office (LAO) projects a small operating deficit for the 2021-22 budget. This will create tension between the Legislature and the Governor. Legislative leaders have already indicated that they want to spend the surplus and restore the spending cuts in the 2020-21 budget.

Due to continually high levels of transmission of COVID-19, this upcoming session will continue as it did for much of 2020, with the Capitol closed to the public and most legislative activity happening remotely, aside from floor sessions and committee hearings. Despite the fact that the public and lobbyists are shut out of the Capitol and are thereby limited in their ability to engage in a meaningful way on public policy,

legislative leaders believe that allowing remote access to testify meets the requirements for public input on legislative proceedings. With the timing of vaccines, there remains the possibility that the Capitol could open later in the year, restoring the access that has been limited due to the pandemic.



ANNOUNCEMENT

The California Association of Public Retirement Systems, CALAPRS, invites you to attend our Virtual General Assembly, March 8-9, 2021. The General Assembly is an educational conference for retirement system trustees, senior staff, and our annual sponsors.

General Assembly Program-at-a-Glance

- **The Australian Model - Understanding the Approach Taken by Super Annuation Funds**, Con Michalakakis, Statewide Super
- **Unconscious Bias: A Quiet Performance Killer**, Dr. Tyrone Holmes, Performance Consultants, LLC
- **Stealth War: How China Took Over While America's Elite Slept**, Dr. Robert Spalding, Author and Former U.S. Air Force Brigadier General (Ret.)
- **Cyber Security** with Matt Eakin and Jon Gossard, OCERS; Peter Dewar, Linea Secure; and Peter Liebert, Cerner Government Services
- **COVID: One-Year Later - What's Changed**, from the perspective of California system Administrators

Download the
Agenda

Virtual Conference Features

Not only will participants enjoy the same quality education that they would receive at an in-person General Assembly, but this year, we're putting together an exciting virtual experience that will allow you to still foster one-on-one connections, get to know our sponsoring partners, and learn from international experts and peers.

- **Table Topic Breakout Session** - Meet in small-group sessions for a more intimate and casual discussion about challenges and successes you've experienced in the past year and what you're looking forward to in retirement plan administration in 2021.
- **Virtual Exhibit Hall** - Learn about and connect with our annual sponsors.
- **One-on-One Video Chats** - Meet other attendees and connect using our video chat feature to talk during the conference.

Register

Today!

BONUS SESSION: AB1234 Ethics for Public Pension Trustees

Ashley Dunning, a Partner with Nossaman LLP will also be presentation a 2-hour session, AB1234 Ethics for Public Pension Trustees. This ethics session is mandatory training for public officials and covers conflict of interest rules, public meeting and record requirements, due process requirements, and other significant rules for legal compliance by public officials, with a particular focus on how these rules apply to retirement board trustees and senior staff.

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Contact CALAPRS

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News Release



LaSalle Announces CEO Succession and New Leadership Roles

Mark Gabbay appointed Global CEO; Jeff Jacobson to transition to Chairman

CHICAGO, Dec. 7, 2020 – LaSalle Investment Management (“LaSalle”), an operationally independent subsidiary of Jones Lang LaSalle Incorporated (NYSE: JLL), announced today that Mark Gabbay, currently CEO and CIO of LaSalle Asia Pacific, will assume the role of LaSalle Global CEO, effective January 1, 2021. Gabbay will succeed Jeff Jacobson, who is transitioning leadership after a 14-year tenure as LaSalle Global CEO. Jacobson will stay on as LaSalle Chairman through at least June 2021 and will continue to work closely with the leadership team to ensure a smooth transition and continued momentum in the business.

As Global CEO, Gabbay will have overall leadership responsibility for LaSalle’s strategic direction and growth. He will report to Christian Ulbrich, President and CEO of JLL.

Gabbay joined LaSalle in 2010 as Chief Investment Officer for Asia Pacific. In 2015, he became APAC CEO and has since been the central architect of the firm’s stellar investment performance and robust earnings growth in the region. Gabbay’s extensive real estate investment background before joining LaSalle includes serving as Managing Director and Head of the Asia Asset Finance Division at Nomura and Co-Head of the Asia Pacific Global Real Estate Group at Lehman Brothers.

Jeff Jacobson, incumbent LaSalle CEO said, “Mark’s experience and track record of outperformance have been critical to the success of our Asia Pacific business, and he possesses the right mix of skills, innovative thinking and leadership to drive LaSalle’s growth going forward. The foundation of our business is very solid, and I am confident that the firm will experience great momentum and success with Mark and our entire global leadership team. I look forward to helping this transition and observing the progress in the years ahead.”

As CEO since 2007, Jacobson successfully led LaSalle through two global crises and oversaw a period of expansion with AUM growing over 57% to more than \$65 billion as of Q3 2020. During his tenure, LaSalle executed numerous strategic product launches, accretive acquisitions, and a global transformation culminating with a coordinated series of leadership appointments being announced today.

Christian Ulbrich, JLL CEO added, “Jeff’s leadership and investment expertise have been instrumental in LaSalle’s success over the past 30 years. We thank him for positioning the business on such solid footing and being an outstanding steward for LaSalle’s investors and employees throughout his career. Mark is the right leader to drive the next phase of growth and further enhancing LaSalle’s industry leading real estate investment management offer.”

Mark Gabbay, incoming LaSalle CEO said, “I am honored and excited to become the next CEO of LaSalle. Our global platform, singular real estate focus and investment expertise around the world is unparalleled and I look forward to working with our teams to drive growth, innovation and performance in the years ahead.”

As part of the succession plan, the following leadership changes are being implemented in LaSalle’s Asia Pacific region:

- Keith Fujii, Japan CEO, will step into the Asia Pacific CEO role previously held by Mark Gabbay
- Claire Tang, Head of Greater China, and Kunihiro (Nick) Okumura, Head of Japan Acquisitions, will become Co-CIOs of Asia Pacific to fill the CIO role previously held by Mark Gabbay

In addition, the following individuals will be stepping into new global roles as part of the global transformation of LaSalle:



Mark Gabbay



Jeff Jacobson

- Tim Kessler, Global Head of Corporate Strategy and Development, will become Global Chief Operating Officer
- Alok Gaur, Global Co-Head of Client Capital Group, will become Global Head of Client Capital Group
- Jon Zehner, Global Co-Head of Client Capital Group, is transitioning to CEO of Global Partner Solutions, LaSalle's global unlisted indirect business unit, succeeding Ed Casal

Other members of LaSalle's executive leadership team remain in place:

- Jacques Gordon as Global Strategist
- Lisa Kaufman as CEO Global Real Estate Securities
- Gordon Repp as General Counsel
- Mike Ricketts as Global Chief Financial Officer
- Darline Scelzo as Chief Human Resources Officer
- Jason Kern as CEO Americas
- Philip La Pierre as CEO Europe

-ends-

LaSalle Contact: Matt Schuler
Phone: +1 312 897 4192
Email: Matt.Schuler@lasalle.com

JLL Contact: Gayle Kantro
Phone: +1 312 228 2795
Email: Gayle.Kantro@am.jll.com

About LaSalle Investment Management

LaSalle Investment Management is one of the world's leading real estate investment managers. On a global basis, LaSalle manages more than \$65 billion of assets in private and public real estate property and debt investments as of Q3 2020. LaSalle's diverse client base includes public and private pension funds, insurance companies, governments, corporations, endowments and private individuals from across the globe. LaSalle sponsors a complete range of investment vehicles including separate accounts, open- and closed-end funds, public securities and entity-level investments. For more information visit www.lasalle.com, and [LinkedIn](#).

About JLL

JLL (NYSE: JLL) is a leading professional services firm that specializes in real estate and investment management. JLL shapes the future of real estate for a better world by using the most advanced technology to create rewarding opportunities, amazing spaces and sustainable real estate solutions for our clients, our people and our communities. JLL is a Fortune 500 company with annual revenue of \$18.0 billion in 2019, operations in over 80 countries and a global workforce of over 92,000 as of September 30, 2020. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated. For further information, visit ir.jll.com.

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December 14, 2020

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: ILPA PRIVATE EQUITY EDUCATIONAL SEMINAR FOR TRUSTEES

Dear Board Members:

ILPA educational classes and training seminars have historically been designed for investment officers and industry practitioners who work in private investments. Due to a high level of interest in alternative investments, for the first time ILPA has developed a training course for trustees.

Attached is a draft agenda, general course description, and a flyer listing fees for this virtual training class which is scheduled to be held March 10- 11, 2021. I believe that this class will fill up quickly, so I encourage those that are interested to take advantage of an early bird registration.

Sincerely,

Dan Gallagher
Chief Investment Officer



Private Equity for the Trustee

The Private Equity for Trustees course, part of ILPA's "Comprehensive" class series, provides a complete experience for the participant who wishes to understand and evaluate private equity investing from a trustee or a stakeholder perspective. The course explores the basic aspects of the private equity asset class, the economics of a private equity investment, the current state of the market and its external perception.

This course combines (i) an especially intelligent curriculum design built around the rhythm of Private Equity investment, with an infusion of (ii) ILPA's Principles, templates and associated resources and (iii) significant interactivity and peer-to-peer learning driven through structured conversations and the use of a custom case study.

Who Should Attend?

This course is designed for trustees and those responsible for fund governance, or for those who work closely with trustees to understand the program management perspective on private equity investments.

Key Learning Objectives:

- Articulate the basics of the asset class and the role it plays in a balanced portfolio
- Explain fees required to invest in private equity, and how the economics benefit the investor
- Define the rationale for particular private equity investments within the portfolio and the importance of manager selection
- Understand the key terms and regulatory bodies that serve as protections for the private equity investor
- Interpret key financial metrics in private equity and identify benchmarks for evaluating fund performance
- Evaluate the internal resources needed to support a private equity investment program
- Apply a forward-looking perspective to private equity investing and anticipate how to react to market cycles

ILPA Members May Take This Course in Any of the Following Formats:

(icon) Live and In-Person Experience (ILT) –This course takes place over a full day (8 hours of content) at select locations around the world. Led onsite by ILPA's leading practitioner faculty, groups of up to 35 participants from multiple LP organizations engage in active lecture, discussion and peer-to-peer learning including the use of a custom-designed case study experience.

(icon) Live, Virtual Experience (vILT) - The Live, Virtual delivery of this course is led online (via the Zoom platform) by ILPA's leading practitioner faculty, groups of up to 35 participants from multiple LP organizations engage in active lecture, discussion and peer-to-peer learning (including use of a custom-designed case study) Enhancements are made to the experience (and faculty training) to ensure the same level of peer-to-peer connections are made as in the live, classroom experience.

(icon) Live, Onsite Experience (In-Person or Virtual) – the ILPA Onsite Experience provides a unique opportunity for the individual LP organization wishing to develop the entirety (or a significant portion) of their team "in-house" and in a session composed solely of professionals from that organization. ILPA faculty use the same proven curriculum taught in our multi-organizational classes but configure that content to the context of the LP organization engaged in training. Taking the opportunity to learn about the LP organization prior to delivery, ILPA faculty prepare an experience which directly addresses the investment program, culture and interdependencies of the organization.

For questions about the different formats and to find the right fit for your schedule this upcoming calendar year, reach out to Mandy Ilk at milk@ilpa.org.

Events & Training

« All Events

ILPA Virtual Institute: Private Equity for the Trustee

The Private Equity for Trustees course, part of ILPA's "Comprehensive" class series, provides a complete experience for the participant who wishes to understand and evaluate private equity investing from a trustee or a stakeholder perspective. The course explores the basic aspects of the private equity asset class, the economics of a private equity investment, the current state of the market and its external perception.

This course combines (i) an especially intelligent curriculum design built around the rhythm of Private Equity investment, with an infusion of (ii) ILPA's Principles, templates and associated resources and (iii) significant interactivity and peer-to-peer learning driven through structured conversations and the use of a custom case study.

Who Should Attend?

This course is designed for trustees and those responsible for fund governance, or for those who work closely with trustees to understand the program management perspective on private equity investments.

Course Dates and Fees

March 10-11, 2021 (Virtual) 9am -3pm EST / 6am - 12pm PST / 14:00 - 20:00 GMT

Member Early Bird rate: \$1,199*

Member rate: \$1,499

Early Bird Deadline: February 12, 2021

* The Member Early Bird rate represents a 20% virtual discount from our standard rate.

Key Learning Objectives

- Articulate the basics of the asset class and the role it plays in a balanced portfolio
- Explain fees required to invest in private equity, and how the economics benefit the investor
- Define the rationale for particular private equity investments within the portfolio and the importance of manager selection
- Understand the key terms and regulatory bodies that serve as protections for the private equity investor
- Interpret key financial metrics in private equity and identify benchmarks for evaluating fund performance
- Evaluate the internal resources needed to support a private equity investment program
- Apply a forward-looking perspective to private equity investing and anticipate how to react to market cycles

PROGRAM LEVEL: Overview

PRE-REQUISITE: No pre-requisites are required to attend the program

PRE-READING: There are no pre-reading materials for this program

DELIVERY METHOD: Group-Live

CREDIT: Earn 12 CPE Credits



Institutional Limited Partners Association is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: www.learningmarket.org

CFA Institute: ILPA members have the ability to earn CE credit for their participation in this program and can use their online CE tracker to document it. Any questions can be directed to the CFA Institute at ceprograms@cfainstitute.org.



Debbie Kozole, Manager, Private Equity, Chrysler Group LLC

"I gained a new perspective on investing in private equity after attending the Module 2 program. I walked out of the course knowing what I should be looking for and how I should be looking at our private equity program. It provided hands-on experience and tangible takeaways that I was able to apply back in the office. In addition, the group interaction and ability to hear how my peers handle similar challenges was enlightening."

(2011 ILPA Institute Level II Module 2 participant)

Institutional Limited Partners Association
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Washington, D.C., USA
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Phone: 416-941-9393
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Email: info@ilpa.org



ILPA Virtual Institute Training Private Equity for the Trustee Agenda

March 10-11, 2021

Day 1		March 10, 2021	
9:00	-	9:30	ILPA Welcome & Introduction
9:30	-	10:45	Session 1: Introduction to Private Equity Learn the basics of PE as an asset class, how it's different from investing in public equities, and the balanced truth behind common misperceptions of PE.
10:45	-	11:00	Break
11:00	-	12:15	Session 2: PE Economics & Fees Review PE economic terms and fees, how profits are distributed, and efforts in place to increase transparency around fees.
12:15	-	12:45	Lunch
12:45	-	2:00	Session 3: Regulatory, Governance & Legal Understand the role of regulatory bodies and key terms that serve to protect the interests of PE investors.
2:00	-	2:15	Break
2:15	-	3:00	Session 4: Fund Selection & Portfolio Construction View PE fund selection and portfolio construction considerations from the perspective of a Chief Investment Officer.



Day 2		March 11, 2021	
9:00	-	10:00	Session 4: Fund Selection & Portfolio Construction (continued) View PE fund selection and portfolio construction considerations from the perspective of a Chief Investment Officer.
10:00	-	10:15	Break
10:15	-	12:00	Session 5: Measuring Performance Interpret key financial metrics that serve as performance indicators in PE and identify benchmarks used to evaluate fund performance.
12:00	-	12:30	Lunch
12:30	-	1:45	Session 6: PE Resourcing & Trends Consider resources needed to invest in PE and discuss trends and evolving landscape of investing in PE.
1:45	-	2:00	Break
2:00	-	2:45	Wrap-up Case Exercise Practice applying basic PE key terms, concepts and knowledge by evaluating hypothetical scenarios. Scenarios involve evaluating recommendations to begin allocating, increasing, or decreasing the percentage of PE investments in an organization's portfolio.
2:45	-	3:00	Key Takeaways & Adjourn