

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

JANUARY 28, 2013

MINUTES

DIRECTORS William W. Wilson, Chair, Public Member
PRESENT: Tracy Towner, Vice Chair, Safety Employee Member
Steven Hintz, Treasurer-Tax Collector
Albert G. Harris, Public Member
Joseph Henderson, Public Member
Tom Johnston, General Employee Member
Arthur E. Goulet, Retiree Member
Chris Johnston, Alternate Employee Member
Will Hoag, Alternate Retiree Member

DIRECTORS Peter C. Foy, Public Member
ABSENT: Vacant, Third Position, General Employee Member

STAFF Donald C. Kendig, Retirement Administrator
PRESENT: Henry Solis, Chief Financial Officer
Lori Nemiroff, Assistant County Counsel
Glenda Jackson, Program Assistant

PLACE: Ventura County Employees' Retirement Association
Second Floor Boardroom
1190 South Victoria Avenue
Ventura, CA 93003

TIME: 9:00 a.m.

ITEM:

I. INTRODUCTION OF MEETING

Chairman Wilson called the Business Meeting of January 28, 2013, to order at 9:01 a.m.

II. APPROVAL OF AGENDA

Mr. Goulet requested that the Schedule of Investment Management Fees in Item IV. D. (Master Page No. 24) be removed from the Consent Agenda.

MOTION: Judge Hintz moved, seconded by Mr. Henderson, to approve the agenda as modified.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting.

III. APPROVAL OF MINUTES

A. Disability Meeting of January 7, 2013.

Mr. Goulet requested the following correction:

Master Page No. 9, VI.A. Pensionable Compensation under the California Public Employees' Pension Reform Act (CalPEPRA), add the following "...that if through legislation, regulation or case law it is determined that 'pensionable compensation' for new members includes items of pay in addition to base pay, the County will make additional employer and member contributions to the retirement system on those additional pay items, with interest at the earnings assumption rate, retroactive to January 1, 2013, and that the County will be responsible for determining whether to seek reimbursement from members for the retroactive member contributions."

MOTION: Mr. Goulet moved, seconded by Mr. Harris, to approve the minutes of January 7, 2013 as corrected.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting.

IV. CONSENT AGENDA

THE FOLLOWING ITEMS ARE ANTICIPATED TO BE ROUTINE AND NON CONTROVERSIAL. CONSENT ITEMS WILL BE APPROVED WITH ONE MOTION IF NO MEMBER OF THE BOARD WISHES TO COMMENT OR ASK QUESTIONS. IF COMMENT OR DISCUSSION IS DESIRED, THE ITEM WILL BE REMOVED FROM THE CONSENT AGENDA AND TRANSFERRED TO THAT SECTION OF THE AGENDA DEEMED APPROPRIATE BY THE CHAIR.

A. Regular and Deferred Retirements and Survivors Continuances for the Month of December 2012.

IV. **CONSENT AGENDA (continued)**

- B. Report of Checks Disbursed in December 2012.
- C. Asset Allocation as of December 2012.
- D. Statement of Plan Net Assets, Statement of Changes in Plan Net Assets, and Investments & Cash Equivalents for the Month Ended November, 2012.
- E. Budget Summary – Year to Date as of December 2012, Fiscal-Year 2012-13.
- F. Update on Authorization for HEK to Share Performance Data with M^{cube}.
- G. SACRS Spring Conference Items – SACRS Board of Directors Elections Reminder.

MOTION: Mr. Henderson moved, seconded by Mr. Harris, to approve the Consent Agenda as modified for removal of the Schedule of Investment Management Fees (Master Page No. 24).

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting.

After discussion of the Schedule of Investment Management Fees (Master Page No. 24), the following motion was made:

MOTION: Mr. Goulet moved, seconded by Mr. Harris, to receive and file the Schedule of Investment Management Fees.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting.

END OF CONSENT AGENDA

V. **INVESTMENT INFORMATION**

- A. Private Equity Funding Discussion – HEK Conference Call (15 minutes).

Following discussion by the Board, staff and Hewitt EnnisKnupp, the following motion was made:

MOTION: Judge Hintz moved, seconded by Mr. C. Johnston, to adopt Option 1 presented by Hewitt EnnisKnupp under the current consulting services agreement and at no additional cost.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting.

V. INVESTMENT INFORMATION (continued)

- A. Private Equity Funding Discussion – HEK Conference Call (15 minutes).
(continued)

Option 1 entails Hewitt EnnisKnupp performing a manager search to identify one or two attractive private equity fund of funds managers and will include existing managers along with a search report summarizing the underwriting process and manager ratings. Hewitt EnnisKnupp will target the March Business meeting when both Adams Street and Pantheon are scheduled to present for finals presentations.

- B. GMO – GTAA (15 minutes). John Allen and Edmund Bellord.

John Allen and Edmund Bellord were present on behalf of GMO to present an educational presentation to the Board on Global Tactical Asset Allocation (GTAA) investments.

No Action Taken.

- C. Bridgewater – Risk Parity Discussion (15 minutes). Joel Whidden.

Joel Whidden was present on behalf of Bridgewater to present an educational presentation to the Board on Risk Parity investments.

No Action Taken.

- D. Hewitt EnnisKnupp, Russ Charvonja, ChFC, CFP, Esq. and Kevin Chen.

1. Monthly Manager Performance Report, December 2012.

MOTION: Mr. Henderson moved, seconded by Mr. Harris, to receive and file the Monthly Manager Performance Report for December 2012.

Motion passed unanimously. Third Member vacant. Mr. C. Johnston voting.

2. Highlights and Research, January 2013.

- a. Tactical Rebalancing Update

MOTION: Judge Hintz moved, seconded by Mr. Goulet, to receive and file item a. Tactical Rebalancing Update.

Motion passed unanimously. Third Member vacant. Mr. C. Johnston voting.

V. INVESTMENT INFORMATION (continued)

2. Highlights and Research, January 2013. (continued)

b. Investment Policy Statement

MOTION: Mr. Henderson moved, seconded by Mr. C. Johnston, to receive and file item b. Investment Policy Statement.

Motion passed unanimously. Third Member vacant. Mr. C. Johnston voting.

c. Fixed Income Portfolio Discussion

MOTION: Mr. C. Johnston moved, seconded by Judge Hintz, to receive and file item c. Fixed Income Portfolio Discussion and to approve the move of 100% of the current Reams mandate to its unconstrained program.

Motion passed unanimously. Third Member vacant. Mr. C. Johnston voting.

Hewitt EnnisKnupp gave an oral update on the MLP short list and asked the Board if they would like to have any others considered. No additional firms were provided and it was reported that two or three finalists will be scheduled for the February 25, 2013 Business meeting.

- d. Clifton Flash Report
- e. RREEF Flash Report
- f. HEK Client Webcasts
- g. Fiscal Cliff Averted
- h. Medium Term Views

MOTION: Mr. Goulet moved, seconded by Mr. Harris, to receive and file items V.A.5. d., e., f., g., and h.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting.

Before concluding the consideration of the Highlights and Research, and after further discussion, the following motion was made:

MOTION: Mr. Goulet moved, seconded by Mr. Towner, directing Hewitt EnnisKnupp to bring in PIMCO and GMO for GTAA final presentations, and Bridgewater and Wellington for Risk Parity final presentations at the April 15 Business meeting.

V. INVESTMENT INFORMATION (continued)

2. Highlights and Research, January 2013. (continued)

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting.

Judge Hintz left the meeting at 11:12 a.m.

VI. ACTUARIAL INFORMATION

- A. Review and Approval of Annual Actuarial Report as of June 30, 2012; The Segal Company; Paul Angelo and John Monroe.

1. June 30, 2012 Actuarial Valuation Report.

MOTION: Mr. Henderson moved, seconded by Mr. Harris, to approve the June 30, 2012 Actuarial Valuation Report.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting. Judge Hintz absent for this item.

2. Three-year Phase-in of Employer Contribution Rates. (revised)

MOTION: Mr. Henderson moved, seconded by Mr. Harris, to approve the employer contribution rates in Segal's revised three-year phase in letter and the employee contribution rates in the June 30, 2012 Actuarial Valuation Report.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting. Judge Hintz absent for this item.

3. Responses to Questions Regarding the Actuarial Valuation.

MOTION: Mr. Goulet moved, seconded by Mr. Henderson, to receive and file Segal's responses to Mr. Goulet's questions regarding the actuarial valuation.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting. Judge Hintz absent for this item.

- C. Cost-of-Living Adjustments (COLA) as of April 1, 2013.

MOTION: Mr. Henderson moved, seconded by Mr. Harris, to approve the cost-of-living adjustments (COLA) as of April 1, 2013.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting. Judge Hintz absent for this item.

VI. ACTUARIAL INFORMATION (continued)

- B. Contribution Rates for CalPEPRA Formulas for the 2013/2014 Fiscal Year: Acknowledge and Distribute.

MOTION: Mr. Henderson moved, seconded by Mr. Harris, to acknowledge the receipt of the contribution rates for the CalPEPRA formulas for the 2013-14 fiscal year and directed staff to distribute the report per the settlement agreement, also including the Grand Jury, REAVC, Management Council and plan sponsors.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting. Judge Hintz absent for this item.

Mr. Towner left the meeting at 12:11 p.m.

VII. OLD BUSINESS

None.

VIII. NEW BUSINESS

- A. Review and Approval of Annual Financial Report; Brown Armstrong; Andrew J. Paulden, CPA.

1. VCERA Comprehensive Annual Financial Report
Dated June 30, 2012.
2. Independent Auditor's Report Dated December 28, 2012.
3. Independent Auditor's Reports to Management dated December 28, 2012: Required Communication to the Board of Retirement in Accordance with Professional Standards; Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Agreed Upon Conditions Report Designed to Increase Efficiency, Internal Controls, and/or Financial Reporting.

After discussion with Brown Armstrong and staff, the following motion was made:

MOTION: Mr. Henderson moved, seconded by Mr. Harris, to approve the June 30, 2012 Comprehensive Annual Financial Report and receive and file Brown Armstrong's Independent Auditor's Reports and Required Communications to the Board.

VIII. NEW BUSINESS (continued)

3. Independent Auditor's Reports to Management dated December 28, 2012. (continued)

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting. Judge Hintz and Mr. Towner absent for this item.

B. Quarterly Retirement Administrator's Report.

MOTION: Mr. Henderson moved, seconded by Mr. Harris, to receive and file Quarterly Retirement Administrator's Report.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting. Judge Hintz and Mr. Towner absent for this item.

C. Board Education and Travel Policy and Trustee Training Tracking and Reporting.

1. Education and Travel Sample Trustee Education Tracking Report.
2. Education and Travel Proposed Policy Edits.
3. Travel Reimbursement Template 2013.

After discussion, the following motion was made:

MOTION: Mr. Goulet moved, seconded by Mr. T. Johnston, to approve the proposed education and travel policy updates as modified for the addition of "Attendance shall not count towards the three conference limit" to bullet two on page 3 (master Page No. 486) and for the change of "shall" to "may" under the Documentation of Expense and Submission of Reimbursement Claims section on page 6 (Master Page No. 489) making the attachment of agendas permissive as opposed to mandatory.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting. Judge Hintz and Mr. Towner absent for this item.

- D. Request to Attend the California Association of Public Retirement Systems (CALAPRS) Principles of Pension Management, Stanford, CA – March 26-29, 2013 – Trustee Elect.
- E. Request for Authorization to Travel, Proposed Site Visits - State Street Global Advisors', Pantheon and RREEF March 21, 2013 – Mr. Solis, CFO, Ms. Nemiroff, Board Counsel, Mr. Goulet, Mr. C. Johnston, Trustee and Interested Trustees.

VIII. **NEW BUSINESS** (continued)

- F. Request to Attend the Manatt Fiduciary Forum, March 21 & 22, 2013 – Mr. Kendig, Retirement Administrator, Mr. Solis, CFO, Ms. Nemiroff, Board Counsel, Mr. Goulet, Trustee, Mr. C. Johnston, Trustee, Trustee Elect – Third Position and Interested Trustees.
- G. Request to Attend the 2013 Pension Bridge Annual Conference, April 16 & 17, 2013 – Mr. Goulet, Mr. Henderson, Mr. Wilson, and Interested Trustees.

MOTION: Mr. Goulet moved, seconded by Mr. T. Johnston, to approve items D. through G., request to attend and requests for authorization to travel.

Mr. Hoag alerted staff and the Board that he will attend the Manatt Fiduciary Forum.

Motion passed unanimously. Mr. Foy absent. Third Member vacant. Mr. C. Johnston voting. Judge Hintz and Mr. Towner absent for this item.

IX. **PUBLIC COMMENT**

Motion.

X. **BOARD MEMBER COMMENT**

Mr. Goulet requested that agenda items that are ready ahead of time, such as the CAFR that was ready two weeks earlier, be provided ahead of time so trustees have more time to pace their review.

XI. **ADJOURNMENT**

The meeting was adjourned at 1:01 p.m.

Respectfully submitted,



DONALD C. KENDIG, CPA, Retirement Administrator

Approved,



WILLIAM W. WILSON, Chairman