

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

February 4, 2013

AGENDA

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

TIME: 9:00 a.m.

ITEM:

- | | | |
|------|--|-----------------|
| I. | <u>INTRODUCTION OF MEETING</u> | Master Page No. |
| II. | <u>APPROVAL OF AGENDA</u> | 1 - 4 |
| III. | <u>PENDING DISABILITY APPLICATION STATUS REPORT</u> | 5 - 52 |
| IV. | <u>APPLICATIONS FOR DISABILITY RETIREMENT</u> | |
| | A. Application for Non-Service Connected Disability Retirement; Mona Goe, Case No. 12-019. | 53 - 82 |
| | 1. Application for Non-Service Connected Disability Retirement and Supporting Documentation. | |
| | 2. Hearing Notice. | |
| | B. Application for Non-Service Connected Disability Retirement; Geraldine Murray, Case No. 12-011. | 83 -123 |
| | 1. Application for Non-Service Connected Disability Retirement and Supporting Documentation. | |
| | 2. Hearing Notice. | |

IV. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

- C. Application for Service Connected Disability Retirement; Christina L. Corpus, Case No. 10-021. 124 - 166
1. Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, Submitted by Hearing Officer Irene P. Ayala, dated December 16, 2012.
 2. Applicant's Objection to Recommendation of Hearing Officer, Submitted by John H. Sugden, Attorney at Law, dated December 24, 2012.
 3. Respondent's reply to Recommendation of Hearing Officer, Submitted by Stephen D. Roberson, Attorney at Law, dated December 26, 2012.
 4. Respondent's Objection to Applicant's Objection to Recommendation of Hearing Officer, Submitted by Stephen D. Roberson, Attorney at Law, dated January 7, 2013.
 5. Hearing Notice.
- D. Application for Service Connected Disability Retirement; Gregory D. Danko, Case No. 10-019. 167 - 243
1. Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, Submitted by Hearing Officer Irene P. Ayala, dated November 24, 2012.
 2. Respondent's reply to Recommendation of Hearing Officer, Submitted by Stephen D. Roberson, Attorney at Law, dated November 29, 2012.
 3. Applicant's Objection to Recommendation of Hearing Officer, Submitted by Gregory D. Danko, Dated December 6, 2012.
 4. Respondent's Objection to Applicant's Objection to Recommendation of Hearing Officer, Submitted by Stephen D. Roberson, Attorney at Law, dated December 11, 2012.

IV. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

- D. Application for Service Connected Disability Retirement;
Gregory D. Danko, Case No. 10-019. (continued)
5. Applicant's Rebuttal to Respondent's Objection,
Submitted by Gregory D. Danko, dated December 20,
2012.
6. Hearing Notice.
- E. Application for Service Connected Disability Retirement; 244 - 256
Michael R. Koevenig, Case No. 11-014.
1. Applicant's Petition for Reconsideration, Submitted by
Michael R. Koevenig, dated January 2013.
2. Respondent's Objection to the Petition for
Reconsideration, Submitted by Marshall W. Graves,
Attorney at Law, dated January 21, 2013.
3. Hearing Notice.
- F. Application for Service Connected Disability Retirement; 257 - 284
Helen Reid, Case No. 12-003.
1. Summary of Evidence, Findings of Fact, Conclusions
of Law and Recommendation, Submitted by Hearing
Officer Paul E. Crost, dated December 1, 2012.
2. Respondent's Objection to Recommendation of
Hearing Officer, Submitted by John I. Gilman,
Attorney at Law, Dated December 6, 2012.
3. Hearing Notice.

V. NEW BUSINESS

- A. Quarterly PAS (VCERIS) Report – Brian Colker, Linea 285 - 294
- B. Request for Proposal (RFP) for Investment Consulting 295 - 304
Services
1. Cortex Proposal
- C. Ad Hoc Disability Process Review Committee 305 - 306
- D. Oral Reports on the January 22, 2013 GMO Investment 307
Presentation.

- VI. PUBLIC COMMENT**
- VII. BOARD MEMBER COMMENT**
- VIII. ADJOURNMENT**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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February 4, 2013

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

SUBJECT: PENSION ADMINISTRATION SYSTEM (PAS) PROJECT UPDATE

Dear Board Members:

Attached is the quarterly status report for the VCERA PAS Project's Ventura County Employees' Retirement Information System "VCERIS".

Background and Discussion:

Since the last report of October 15, 2012, the project has been proceeding satisfactorily. No additional change orders that increase cost are proposed; in fact, the project budget has been reduced by an additional \$101,000. The project is now approximately \$280,000 below the original budget. However, the project is currently six weeks behind schedule, and three risks have emerged on the project that must be addressed.

1. Project Status

All parties are satisfied with progress made on the project over the last three months. The quality of the software delivered, the rapid progress of the data conversion team, and the positive relationship of VCERA to the vendors all speak to a smoothly running project. The team reached a major milestone on January 28; the data conversion team completed the mapping of all RDBS legacy data. Given that data was the major risk of the project in July of 2012, we are very pleased to report this risk has been mitigated.

However, the project is currently six weeks behind schedule due to several factors relating to the unanticipated complexity of contribution data, associated business rules, the complexity of service credit purchase functionality, and VCERA staff resource constraints. The Vitech and Linea project managers and staff are currently assessing the project plan to determine if the six week delay can be made up in Rollout 1. At present, we have not determined if the six week delay will impact the final go-live date of June 2015.

PENSION ADMINISTRATION SYSTEM (PAS) PROJECT UPDATE

February 4, 2013

Page 2 of 2

2. Risks

Three significant risks have emerged on the project over the last three months. These all have the potential to impact the go-live schedule and lead to significant delays.

- a. **The interface from Peoplesoft to V3 (Active Payroll).** The project team has been working diligently with resources from the Auditor-Controller's office to ensure that their technical resources can develop a new payroll interface to V3 by June of 2013. However, the Auditor-Controller's office has many competing priorities, including implementing the changes due to CalPEPRA and several other major projects. Although the Auditor-Controller has not indicated that the PAS project schedule would not be met, we are concerned that competing priorities may impact the Auditor-Controller's resources and the project schedule. We will continue to communicate with the Auditor-Controller's staff to ensure their management fully understands our timeline, requirements, and the impact of any delays.
- b. **Loss of scarce VCERA resources.** Key benefits resources have been impacted recently by illness and family issues. Additionally, staff backfilling for these resources are inexperienced and require further training from the experienced staff members. Two of the impacted staff members were scheduled to participate in the disability, QDRO, and payroll processes in Rollout 2, and given that the Benefits staff is already at its limit in covering both operations and the V3 project, any negative impact to the staff has the potential to negatively impact the project schedule. VCERA Executive Management is exploring options to mitigate these resource constraints, including hiring outside consultants or temporary staff members and will return to your Board with options.
- c. **V3 Design revisits due to Data/Business Rule complexity.** As stated above, the schedule has already been impacted by unanticipated complexities, most notably in VCERA's contributions and service credit purchases. The project team is working to mitigate this delay. However, the current development schedule may be too aggressive, especially given VCERA's resource constraints. The project managers are reviewing the schedule to determine if adjustments need to be made to better account for resource scarcity and business complexity.

Staff recommends your Board approve the change order proposed in the quarterly report and receive and file this report and attachments.

We would be pleased to respond to any questions you may have on this letter.

Sincerely,



DONALD KENDIG
Retirement Administrator

BRIAN COLKER
Linea Solutions, Inc.

Attachment



Ventura County Employees' Retirement Information System Status Report



Reporting to: Board of Retirement
Written by: Brian Colker

Report Date:

1/31/2013

Board of Retirement Ventura County Employees' Retirement Information System (VCERIS) Report

Reporting period: October 1, 2012 – December 31, 2012

Current Project Plan

(Please see Attachment A)

DATA AS OF 1/25/13:

Rollout 1: Active Member	Rollout 2: Retiree	Rollout 3: Member Web
Actual % Complete: 31.34%	Actual % Complete: N/A	Actual % Complete: N/A
Planned % Complete: 40.30%	Planned % Complete: N/A	Planned % Complete: N/A
Variance: 8.96% (6 weeks behind schedule)*	Variance: N/A	Variance: N/A
Rollout Timeline, Initial: July 2012 – October 2013	Rollout Timeline, Initial: November 2013 – April 2015	Rollout Timeline, Initial: January 2015 – June 2015
Rollout Timeline, Revised: July 2012 – TBD (see below)	Rollout Timeline, Revised: N/A	Rollout Timeline, Revised: N/A

*Rollout 1 has been delayed due to the following contributing factors:

- The data mapping process has taken longer than expected because the team has had to write two sets of rules for every field – one set for pre-2004 data (PPS data) and one set for post-2004 data (PeopleSoft data). This essentially means it takes us almost twice as long as expected for each data map.
- The additional data conversion JAD sessions that were scheduled. The additional JAD sessions were required because of the complexity of the data mapping requirements for Contributions and the complexity of the Contributions rules.
- The additional contribution rule complexity also impacts design and development because the rules to handle the data have to be implemented in V3.
- The complexity of designing Service Credit Purchase (SCP). Vitech did not anticipate the number of types of service credit purchase types that would be required; each one requires significant design/development. Another factor contributing to the complexity is that a lot of the functionality associated with service credit purchase cannot be fully designed until the VCHRP transmittal is completed, and at this point the transmittal is still in design, so it is a moving target. Changes to the transmittal design ultimately impacts the SCP design and rework is required.
- The two VCERA resources assigned to the project have been overallocated for certain tasks
- The project team is evaluating to what extent the six week delay in the timeline can be mitigated



Ventura County Employees' Retirement Information System Status Report



Reporting to: Board of Retirement
Written by: Brian Colker

Report Date:

1/31/2013

Accomplishments for the Period 10/1/2012 – 12/31/2012

- Completed data mapping of 100% of RDBS (as of 1/28/13).
- Initial load of VCERA data loaded into V3; Data analysis and cleansing started.
- Created 217 test scenarios for segment A validation testing.
- Initial functionality delivered and tested (Segment A) The acceptance criteria was met for both quality and coverage, so Segment A Validation testing was approved as complete.
- VCERA trained on the Assima training tool (to create custom training content).
- Began segment B (sprints 1-4) design.
- Continued to meet with Auditor / Controller and VRSD to identify project requirements and develop initial draft of the transmittal layout. Auditor / Controller suspended meetings during November and December while they implemented changes due to PEPRRA. Meetings were restarted again in January.



Ventura County Employees' Retirement Information System Status Report



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Written by: Brian Colker

Report Date:

1/31/2013

Budget

Summary

Cost Item	Budget	Change Orders	Amended Budget ¹	Expended to Date	Remaining
Vitech (software, implementation, hosting)	\$4,986,500	\$ -	\$4,986,500	\$1,391,200	\$3,595,300
Linea (project oversight)	2,088,407	50,000	2,142,407	513,518.50	1,574,888.70
External Costs	100,000	161,500	261,500	22,067.72	77,932.28
Third party data conversion	680,000	147,250	588,212	45,080.12	395,881.88
Limited Term Positions	581,200	-	281,500	69,774.88	211,725.12
Total	\$8,436,107	\$358,750	\$8,260,119	\$2,041,641	\$5,855,728
Staff Costs (unbudgeted to project)				136,339.29	
Grand Total				\$2,177,980.51	
Project Contingency	\$843,611			\$ -	\$843,611

¹Amended Budget reflects only *approved* change orders

Detail

Milestone Description	Scheduled Invoice Date	Budget	Holdback (15%)	Net Scheduled Payment	Amount Incurred
Project Initiation / Initial License Payment (Development License)	March-12	\$ 200,000	\$ -	\$ 200,000	\$ 200,000
QA Hardware and Software Installed and Configured	May-12	128,000	(19,200)	108,800	108,800
Detailed Implementation Plan Approved	June-12	96,000	(14,400)	81,600	81,600
V3 Baseline Application Configuration & Demonstration Complete	August-12	224,000	(33,600)	190,400	190,400
Rollout 1: VCERA Confirms Segment A Functionality Delivered and Validated	November-12	224,000	(33,600)	190,400	190,400
Rollout 1: VCERA Confirms Segment B Functionality Delivered and Validated	January-13	224,000	(33,600)	190,400	-
Rollout 1: VCERA Confirms Segment C Functionality Delivered and Validated	April-13	224,000	(33,600)	190,400	-
Rollout 1: VCERA Confirms Segment D Functionality Delivered and Validated	May-13	224,000	(33,600)	190,400	-
Rollout 1: VCERA Begins UAT	July-13	288,000	(43,200)	244,800	-
Rollout 1: VCERA Accepts System for Production	October-13	\$ 576,000		\$ 576,000	\$ -
Release Holdback	October-13		100,800	100,800	-
Rollout 2: VCERA Confirms Segment A Functionality Delivered and Validated	February-14	160,000	(24,000)	136,000	-



Ventura County Employees' Retirement Information System Status Report



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Milestone Description	Scheduled Invoice Date	Budget	Holdback (15%)	Net Scheduled Payment	Amount Incurred
Rollout 2: VCERA Confirms Segment C Functionality Delivered and Validated	May-14	144,000		144,000	-
Rollout 2: VCERA Confirms Segment B Functionality Delivered and Validated	June-14	128,000		128,000	-
Rollout 2: VCERA Confirms Segment D Functionality Delivered and Validated	October-14	128,000		128,000	-
Rollout 2: VCERA Begins UAT	November-14	160,000		160,000	-
Rollout 2: VCERA Accepts System for Production	February-15	128,000		128,000	-
Rollout 3: VCERA Validates Functionality	April-15	40,000		40,000	-
Rollout 3: VCERA Begins UAT	April-15	40,000		40,000	-
Rollout 3: VCERA Accepts System for Production	June-15	64,000		64,000	-
Release Holdback	June-15		168,000	168,000	-
Warranty Complete: One Year After System Live Date	May-16 (EST)	100,000	-	100,000	-
Change orders					-
Vitech Implementation Services Subtotal:		\$3,500,000	\$ -	\$3,500,000	\$771,200

Vitech Other Costs		Budget		Incurred This Qtr.	Cumul.
Vitech V3 License Fee	August-12	\$ 575,000		\$ 575,000	\$ 575,000
Vitech V3 Upgrade Fee -	Various	450,000			
Infrastructure Hosting	Various	376,000			25,000
Travel	On-going	82,500		12,500	20,000
Software Escrow Agreement	FY 13/14	3,000			
Change orders					
Vitech Other Costs Subtotal:		\$ 1,486,500			\$ 620,500
Vitech Services Total:		\$ 4,986,500			\$ 1,391,200

Linea - Project Oversight and Integrating Services Description:		Budget		Incurred This Qtr.	Cumul.
Project Oversight	On-going	\$ 704,040		\$ 73,340	\$282,175
Design Consulting	On-going	484,000		20,350	48,603
Testing	On-going	412,550		52,448	100,335
Interfaces	On-going	165,360		1,434	16,835
Cut-Over Support	On-going	140,700			
Training	On-going	11,460		231	231
Data Conversion	On-going	65,600		14,199	26,654
Travel Expenses	On-going	158,697		12,984	38,686



Ventura County Employees' Retirement Information System Status Report



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1/31/2013

Milestone Description	Scheduled Invoice Date	Budget	Holdback (15%)	Net Scheduled Payment	Amount Incurred
Project Oversight and Integrating Services Total:		\$ 2,142,407		\$ 174,985	\$ 513,518

External Costs:		Budget		Paid this Qtr	Cumul.
Software	Varies	\$ 65,900		\$1,367	\$ 4,112
Hardware	Varies	30,000			11,993
Broadband to Host Facility	On-going	116,100		576	1,159
Data Conversion		588,212			45,080
Additional Project Workspace		49,500			4,804
3rd Party Hardware / Software Total:		\$ 849,712			\$ 67,148

Total Expended (excluding fixed term budget)					\$ 1,971,866
Total Project Budget (excluding fixed term budget)		\$7,978,619			
Total Project Budget (including fixed term budget)		\$8,260,119			

Original Project Budget	\$8,436,107	Variance from Original	\$ (175,988)
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Proposed Change Orders (see next page)	\$(101,300)
Proposed Amended Budget	\$8,158,819
Updated Variance From Original	\$(277,288)

Internal VCERA Costs:	This Qtr	Cumulative
Staff Costs (unbudgeted to project)	\$ 67,427	\$ 136,339
Grand Total Expended (excluding fixed term budget)		\$2,177,980



Ventura County Employees' Retirement Information System Status Report



Reporting to: Board of Retirement
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Report Date:

1/31/2013

Change Orders This Period

Name	Description	Cost Impact	Budget Year
County providing Broadband	County ITS was able to provide a secure broadband connection to Vitech's hosting facility, considerably decreasing the required cost for this service.	\$(101,300)	FY2012-2013 \$(7,000) FY2013-2014 \$(31,200) FY2014-2015 \$(31,200) FY2015-2016 \$(31,200)
Total		\$(101,300)	

Approved Change Orders (All To Date)

Name	Description	Cost Impact	Budget Year
Vitech CO 3223 – Revised Implementation Plan	Vitech submitted a change order (Attachment B) to adjust the implementation schedule to extend the overall project by 6.5 months. They changed the payment milestones as part of the negotiation.	None (net over course of project)	FY'12-'13: \$163,200 FY'13-'14: \$147,388 FY'14-'15: (\$310,589)
Linea Change Order #1	Linea submitted a change order (Attachment C) to adjust the implementation schedule to extend the overall project by 6.5 months.	None	N/A
Additional project workspace	The project team has determined that there is considerable advantage to in-person meetings.	\$49,500	FY'12-'13: \$13,500 FY'13-'14: \$18,000 FY'14-'15: \$18,000
Increased cost of Broadband to Host Facility	The secure point-to-point connection from VCERA to Vitech's hosting facility is considerably more expensive than anticipated.	\$68,100	FY'12-'13: \$0 FY'13-'14: \$3,300 FY'14-'15: \$32,400 FY'15-'16: \$32,400
Additional Project Software	This change covers the purchase of the Assima training tool.	\$43,900	FY'12-'13: \$22,900 FY'13-'14: \$7,000 FY'14-'15: \$7,000 FY'15-'16: \$7,000
Additional Data Conversion Assistance	This change covers VCERA's additional data conversion resources needed to support MBS in performing the data conversion.	\$147,000	FY'12-'13: \$75,000 FY'13-'14: \$50,000 FY'14-'15: \$22,000
Document Conversion Assistance	The change order is for Novanis, the current imaging company, to assist with converting images into V3.	\$50,250	FY'13-'14: \$50,250
Total		\$358,750	



Ventura County Employees' Retirement Information System Status Report



Reporting to: Board of Retirement
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#	ISSUES / RISKS – Explanation of Issues	MITIGATION - Explanation of Action Needed	UPDATE – Current Status of Issue
1	The Auditor Controller has informed VCERA that PEPRA and the launch of VCFMS may impact its ability to meet the project schedule. If the Auditor Controller is not able to produce the completed interface by June 2013, this will cause the Rollout #1 schedule to be delayed.	All parties are continuing to work together to ensure the Auditor Controller is given all the information required to produce the interface. The project team will continue monitoring development to determine if it is on schedule. VCERA Management will work with Auditor Controller Management to ensure the project schedule is confirmed.	The project team is continuing to provide all the information required to produce the interface on time. RISK IS CONSIDERED MEDIUM.
2	Recently the Benefits staff has been impacted by illness and family issues. Given that the project is currently utilizing the absolute minimum number of resources, VCERA must add additional staff resources in order to ensure the project timeline is not impacted.	VCERA Management is working to find additional trained resources to be added to VCERA's staff to assist with operations. Linea and Vitech are exploring modifications to the project plan that may mitigate the loss of one resource.	All parties are working collaboratively to determine the best method to bring in additional resources to support the project. RISK IS CONSIDERED HIGH.
3	The development of Rollout 1 has been impacted by a number of factors—complexity of data, complexity of business rules, and the downstream impact of this complexity on the design and development of the system.	Vitech and Linea must determine if a change in the project plan is required and if a change in the sprint/segment methodology is needed.	Vitech and Linea project managers are working together to determine what actions are needed to ensure the project is done both correctly and on time. RISK IS CONSIDERED MEDIUM.

Accomplishments Planned for Next Period (1/1/2013 – 3/31/2013)

- Complete Segment B functionality and conduct Validation Testing.
- Create all test cases required for Segment B Validation Testing.
- Begin Segment C design.
- Create Training Plan and begin creating training content in Assima.
- Deliver finalized transmittal specifications, requirements and timeline to Plan Sponsors. Begin testing as Plan Sponsors have completed development.

ATTACHMENT A

ID	Task Name	2012						2013						2014						2015																
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
1	Rollout 1 – RDBS Replacement																																			
2	Segment A – Entity Management & Contributions																																			
3	Detailed Design Sprints																																			
4	Data Conversion Mapping Specifications																																			
5	Test Activities																																			
6	Segment B – SCP, Participant Accounts, DRO																																			
7	Detailed Design Sprints																																			
8	Data Conversion Mapping Specifications																																			
9	Test Activities																																			
10	Segment C – Reports, Funds Management, Statements, Yr End, Actuarial																																			
11	Detailed Design Sprints																																			
12	Test Activities																																			
13	Segment D – Documents, Reports, Workflows, Admin																																			
14	Detailed Design Sprints																																			
15	Test Activities																																			
16	Segment E – VCHRP Import																																			
17	Detailed Design Sprints																																			
18	Data Conversion Mapping Specifications																																			
19	Test Activities																																			
20	Data Conversion Runs																																			
21	User Acceptance Testing (UAT)																																			
22	Training																																			
23	Cutover to Production																																			
24	Parallel Testing																																			
25	Rollout 2 – RIS Replacement																																			
26	Segment A – Pension – Estimates, Application & Processing																																			
27	Detailed Design Sprints																																			
28	Data Conversion Mapping Specifications																																			
29	Test Activities																																			
30	Segment B – Disbursements & Payroll Deductions, COLA, 1099, Adjustments																																			
31	Detailed Design Sprints																																			
32	Data Conversion Mapping Specifications																																			
33	Test Activities																																			
34	Segment C – Pension - Disability and Death																																			
35	Detailed Design Sprints																																			
36	Data Conversion Mapping Specifications																																			
37	Test Activities																																			
38	Segment D – Imaging, Workflows, Funds Management, Documents, Reporting, Admin, General																																			
39	Detailed Design Sprints																																			
40	Test Activities																																			
41	Data Conversion Runs																																			
42	User Acceptance Testing (UAT)																																			
43	Training																																			
44	Cutover to Production																																			
45	Parallel Testing																																			
46	Rollout 3 – Member Portal																																			
47	Detailed Design Sprints																																			
48	Test Activities																																			
49	User Acceptance Testing (UAT)																																			
50	Training																																			
51	Cutover to Production																																			

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February 4, 2013

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

SUBJECT: REQUEST FOR PROPOSAL (RFP) INVESTMENT CONSULTING SERVICES

Dear Board Members:

Background

On July 2, 2012, Trustee Towner requested your Board consider the issuance of an RFP for investment consultant services for either discretionary or non-discretionary services. At that time, the decision was deferred until the February 4, 2013 meeting to give both the new Retirement Administrator and lead consultant, Russ Charvonia, time to establish themselves, both having started on March 5, 2012.

Discussion

Eleven months have passed since March 5, 2012, and there is still more than enough to do. While a time for an investment consultant search may never be convenient, there is no time like the present, provided adequate thought, attention, and resources are dedicated to it.

In order to address the issue of adequate resources, staff solicited a proposal from Cortex Applied Research (Cortex) for assistance in the consultant search process (see attached proposal). Cortex has assisted SBCERS, KCERA and FCERA in their most recent consultant searches using a comprehensive RFP document and all three systems highly recommend their services. The estimated cost of \$29,500 would be an investment-related expense outside the administrative budget cap. The estimated cost is based on the Board analyzing seven proposals and is flexible on whether or not the Board wishes to focus on non-discretionary consulting alone, or to add some additional questions and review additional proposals for discretionary services. If proposals for analysis exceed seven, there would be a charge of \$2,500 per additional proposal. If the Board were to authorize the engagement of Cortex, staff could investigate the negotiability of the charges for additional proposals and could also work with the ad hoc RFP Committee (if also approved) or Cortex to keep the number of proposals to seven, performing an initial screen for minimal qualifications.

REQUEST FOR PROPOSAL (RFP) INVESTMENT CONSULTING SERVICES

February 4, 2013

Page 2 of 3

An initial timeline, and proposed procedures, taking into account the assistance of Cortes and the utilization of an ad-hoc RFP Committee is as follows:

February 4 BOR	Appoint ad-hoc committee, and authorize engagement of Cortex Applied Research to assist in RFP process <ul style="list-style-type: none">• Consultant will survey Board and staff to establish search parameters and evaluation criteria• Committee to review and approve final RFP
March 18	Publication of RFP and solicitation of proposals <ul style="list-style-type: none">• Placement of announcements and advertisements
March 28	Deadline for submission of questions concerning the RFP
April 1	Responses to questions published
April 19	Deadline for submission of proposals
By May 19	Consultant summarizes all responses and requests additional information as necessary <ul style="list-style-type: none">• Committee reads and considers proposals; conducts telephone interviews if desired; and selects finalists for interview by the Board• Consultant conducts reference checks• Invitations sent to finalists, finalists submit presentations
By June 17	Committee, interested trustees and staff conduct on-site due diligence visits
July 1 BOR	Board interviews finalists and selects consultant, delegates contract negotiation to staff and counsel <ul style="list-style-type: none">• Negotiation of fees and contract terms
By September 16	New contract relationship established

If the Board so moves to engage in an investment consulting services RFP, staff recommends that the Board: 1) Authorize the engagement of Cortex Applied Research to assist in the search process, 2) Form an ad-hoc RFP committee and delegate to that committee responsibility for approval of a final RFP document, evaluation of proposals, and selection of finalists for Board consideration, 3) Designate a “quiet period” during the consultant RFP and selection process, during which Trustees will not knowingly communicate with consultant candidates, with the exception of official search-related interviews and due diligence and ongoing business with the current consultant and 4) Provide other direction to staff and/or ad hoc committee regarding the issuance of the RFP, as deemed appropriate. The Board needs to provide direction, in any case, as to whether or not discretionary/outsourced consulting services should be examined.

REQUEST FOR PROPOSAL (RFP) INVESTMENT CONSULTING SERVICES

February 4, 2013

Page 3 of 3

Should the Board decline to engage Cortex, and direct that an RFP be conducted, an RFP will need to be prepared by staff. Staff has experience drafting investment consultant RFPs; however, staff would need to devote a material amount of time developing one customized for the specific needs of VCERA, and the process would be significantly delayed, compared to the initial timeline proposed above.

I would be happy to answer any questions you may have and welcome any discussion of potential variances or modifications to staff's recommendation.

Sincerely,



Donald C. Kendig, CPA
Retirement Administrator

Attachment

PROPOSAL FOR
INVESTMENT CONSULTANT SEARCH SERVICE
Prepared for the
Ventura County Employees' Retirement Association (VCERA)

Background

Choosing an investment consultant is one the most important decisions retirement boards are called upon to make. This key advisory position can have a powerful influence on an investment program, and the fees associated with a typical five-year investment consulting contract often exceed \$1 million.

A typical selection process usually involves reviewing 6-10 proposals, each consisting of several hundred pages of background information, detailed responses to a questionnaire, sample reports, and other documents. Making sense of all the data, summarizing it, and presenting it in a format that allows for meaningful comparisons among competing firms is a difficult and time-consuming task. Our firm, however, is positioned to assist retirement boards and their staff with this process.

We understand VCERA's current investment consultant is Hewitt EnnisKnupp, and that VCERA is considering reviewing the market for investment consulting services in early 2013. We also understand that, as part of such a review, VCERA is interested in exploring outsourced CIO services. Accordingly, any RFP VCERA issues may need to include such services as an option.

Our Search Service

Cortex has worked with retirement systems on their governance and decision-making practices since 1991. To further assist our clients, we have developed a highly cost-effective investment consultant search service that can address any number of the steps involved in a search, including:

- Identifying the needs of the system and the board, and developing corresponding search criteria and weightings.
- Preparing and issuing a Request for Proposal (RFP).
- Summarizing the information received.
- Designing finalist interview questions and processes.

Benefits

By taking advantage of our experience, retirement boards and their staff will be able to:

1. Develop search criteria and a process that are tailored to the system's needs and budget.
2. Enhance the clarity and comprehensiveness of the RFP.
3. Increase the number of qualified proposals received, by signalling to the marketplace that the search is a legitimate effort and not simply a routine exercise required by board policy.
4. Save countless hours reviewing the detailed information contained in each proposal.
5. Better focus on the key differentiating features of each proposal and determine those finalists that best meet the search criteria.
6. Devote more time and energy to discussing the proposals and to interacting with the finalist firms, thus leading to the selection of the best possible candidate.

This Proposal

The remainder of this proposal contains the following information:

1. Information about Cortex Applied Research
2. Proposed Deliverables
3. Key steps in the process and approximate timeline
4. Professional fees and expenses
5. References

About Cortex

Cortex Applied Research Inc. (Cortex) was founded by Dr. John Por in 1991. Tom Iannucci joined the firm in the same year, and Michael Long joined in 2000. Cortex's mission is to enhance the Board effectiveness of North American retirement plans and other institutional investors through the recommendation and implementation of governance best practices, sound business strategies, and fiduciary education. For over two decades, Cortex has helped to enhance the governance practices of more than 120 public retirement systems, investment boards, and corporate pension funds in the United States and Canada.

Our consulting team is comprised of a mix of professionals with a range of educational and career backgrounds including management consulting, law and policy, pension investment administration, strategic planning, and engineering.

Cortex services include the following:

- Governance reviews and fiduciary audits
- Design of governance structures and governance policies
- Fiduciary benchmarking studies
- Organizational studies
- Board and trustee education
- Investment consultant searches

A sample of Cortex's public sector clients include:

- Arizona Public Safety Personnel Retirement System
- Arizona State Retirement System
- City of Fresno Retirement Systems
- Colorado Public Employees' Retirement Association
- Kern County Employees' Retirement Association
- Labourers' Pension Plan of Central and Eastern Canada
- Los Angeles Fire and Police Pensions
- Los Angeles County Employees Retirement Association
- Fresno County Employees Retirement Association
- Maryland State Retirement and Pension System
- Manitoba Teachers Retirement Allowance Fund
- Massachusetts PRIM
- Missouri Local Government Employees Retirement System
- Missouri Public School/Non-Teachers Retirement System
- Ontario Pension Board
- Orange County Employees Retirement System
- Oregon State Investment Council
- Public Sector Pension Investment Board
- San Jose Retirement Services Department
- San Francisco Employees' Retirement System
- San Bernardino County Employees' Retirement Association
- Santa Barbara County Employees' Retirement System
- Sonoma County Employees' Retirement Association
- Virginia Retirement System
- Washington State Investment Board

Proposed Deliverables and Support

Cortex's investment consultant search service includes the following deliverables and support:

1. Use of Cortex's Request for Proposal (RFP) template, and assistance in modifying the RFP for use by VCERA.
2. Survey of board members to identify priority evaluation criteria.
3. Assistance with preparation of advertising materials for the RFP, and/or identification of qualified investment consulting firms to be invited to bid.
4. Assistance with preparation of responses to RFP-related questions submitted by bidding firms.
5. Preparation of a Briefing Binder summarizing the proposals submitted by bidding firms.
6. Follow-up with candidates to obtain additional information as necessary.
7. Presentation of the Briefing Binder, typically to a board committee, by teleconference. (On-site presentations are available, but are subject to additional fees.)
8. Suggested interview questions for use by board or staff members during finalist interviews and on-site due diligence visits.

Cortex's Role

Cortex's role in the RFP process is focused on the coordination of the process, and on the analysis and tabulation of the proposals submitted. These steps are the most time-consuming aspects of a search process. By relieving VCERA of these activities, the Board and staff will be able to focus on assessing the bidding firms, meeting with the individual consultants, and reviewing the summary information prepared by Cortex, ultimately resulting in a more effective search and decision process. Please note: Cortex does not provide recommendations concerning the short-listing or selection of candidates.

Work Plan

Below please find a detailed work plan for the proposed investment consultant search process, which we would be pleased to discuss and adapt to the needs of VCERA. The entire search process typically takes 3 to 4 months.

Step	Activity	Responsibility	Est. Timing
1.	Confirm workplan, timeline, and preliminary search criteria, and review with client.	Cortex	1-2 weeks
2.	Survey the Board and staff to identify selection criteria and weights.	Cortex	
3.	Provide RFP template for approval by client including proposed search criteria. Client to provide standard contract requirements.	Cortex/Client	
4.	Determine whether newspaper advertising will be used, direct invitations, or both.	Client	
5.	Preparation of newspaper/on-line advertising. Identification of qualified firms for direct invitation.	Cortex	
6.	Make RFP available on client website for downloading by interested candidates.	Client	
7.	Receive and collect all questions by candidates.	Client/Cortex	1-2 weeks
8.	Respond to questions submitted by candidates.	Client/Cortex	
9.	Bidders to prepare and submit proposals.	Bidding firms	4 weeks
10.	Receive and file all proposals.	Client/Cortex	4 weeks but depends on # of proposals submitted.
11.	Review and summarize proposal information, and prepare Briefing Binder. Follow up with candidates for further information or clarification as necessary.	Cortex	
12.	Select finalist candidates for interviews.	Client	2-4 weeks
13.	Develop interview process/interview questions.	Client/Cortex	
14.	Schedule and conduct finalist interviews.	Client	
15.	Perform reference checks for each finalist.	Client	
16.	Perform due diligence visits.	Client	
17.	Finalize fees and contract with selected firm.	Client	

Professional Fees & Expenses

1. Based on the proposed work plan (shown above) Cortex's professional fee would be \$29,500. This fee is based on receipt of up to seven proposals. If more than seven proposals are to be reviewed, additional fees of \$2,500 per additional proposal will be charged.
2. It has been our experience that Cortex can present the Briefing Binders effectively to the Board or a committee of the Board by conference call. Accordingly, in the interest of minimizing professional fees and travel expenses, this proposal assumes that interaction between Cortex and VCERA will occur by telephone or conference call. Similarly, as Cortex provides clients with a detailed Briefing Binder and suggested interview and due diligence questions, this proposal assumes that Cortex will not participate in interviews or on-site due diligence visits. Nevertheless, if VCERA would like Cortex to be involved in such activities, we would be pleased to do so, though additional professional fees would apply. Our hourly consulting rates are as follows:

Tom Iannucci	\$485
Senior Consultant	\$395
Analyst	\$200

3. Cortex will invoice clients for:
 - a. Out-of-pocket expenses such as airfare, ground transportation, lodging, and meal expenses incurred by consultants for any on-site meetings or presentations, at cost. All travel is subject to approval by the client. Where possible, travel fees and expenses will be combined with another client.
 - b. Any courier, binding, and printing charges for final deliverables, at cost.
4. Any additional work requested by the client that is outside the scope of the work plan (e.g. additional analyses, memorandums, reports, etc.) shall be invoiced at Cortex's standard hourly rates.

References

Please feel free to contact the following past clients regarding Cortex's investment consultant search service:

Client	Contact
City of Fresno Retirement Systems	Stanley McDivitt, Retirement Administrator (559) 621-7098
Santa Barbara County Employees Retirement System	Lila Deeds, Assistant CEO (805) 568-2941 (Note: we recognized that Mr. Kendig is already familiar with our work at Santa Barbara CERS.)
Kern County Employees Retirement Association	Anne Holdren, Executive Director (661) 381-7753
Fresno County Employees Retirement Association (FCERA)	Roberto Peña, formerly the Executive Director of FCERA (Currently the Deputy Administrator at the Puerto Rico Government Employees and Judiciary Retirement System) (559) 488-3095

Conclusion

An investment consultant is a critical player in the investment decision-making process. Ensuring the most effective process for selecting that consultant represents both a good investment and a sound fiduciary practice.

We trust this proposal demonstrates how Cortex can assist in this important undertaking. We would be pleased to discuss it with you at your convenience, and provide any additional information you may require.

For more information, please contact Tom Iannucci, President, or Michael Long, Vice President, at (416) 967-0252 ext. 223 or 233 respectively; or by e-mail at tiannucci@cortex-consulting.com or mlong@cortexconsulting.com.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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February 4, 2013

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

SUBJECT: AD-HOC DISABILITY PROCESS REVIEW COMMITTEE

Dear Board Members:

Discussion

It is my understanding that a review of the disability process is a high priority of the Board and reviews have been attempted in the past without significant outcomes. More significant issues have come up derailing progress. Under normal circumstances, I would not be bringing this matter to your Board for fear of a similar result. VCERA is implementing the California Public Employees' Pension Reform Act (CalPEPRA), a new Pension Administration System (PAS), recovering from significant staffing turnover, struggling with the inefficiencies that accompany new and inexperienced staff, coping with significant staff leave issues, and presently understaffed for maintaining existing service expectations.

So why do I bring this to you now? From the PAS update, you will learn that VCERA resources are a significant risk to the project's timely completion. Staff needs to pull an experienced resource, Angela (Angie) Tolentino, from her disability desk and dedicate her to Phase 2 of the PAS update implementation. VCERA has no one to replace her. Annette Paladino, a disability expert, who retired from SBCERS, is easing back into what she loved to do during her previous career, and I have her tentative commitment, pending the approval of your Board and the formalization of an agreement, that she can devote two days a week to help us to document and assess our current disability process and to recommend changes in line with best practices. She can also help Julie Stallings, VCERA's Operations Manager, to find someone to fill Angie's role at the disability desk on either a temporary or permanent basis depending on what a needs assessment recommends. I have already assured Julie that I would not bulldoze operations with wide sweeping disability process changes until the resources and environment are in place to foster change. What this could mean is that after Annette is done, VCERA will have a finished product recommending what changes need to be made, if any, and with staff implementing the easiest ones as soon as possible, and working towards the harder, or more wide sweeping ones, cautiously and at a careful pace, as resources and the working environment allow.

AD-HOC DISABILITY PROCESS REVIEW COMMITTEE

February 4, 2013

Page 2 of 2

The subject of this item is Ad-Hoc Disability Process Review Committee because this is what staff recommends your Board forms in order to streamline the Board's participation and review of the disability process. Staff also recommends that you delegate to the committee the authority to enter into an agreement with Annette Paladino. Staff recommends this engagement of an outside expert not caught up in the daily operations commitments and able to bring a fresh perspective and professional recommendations.

I would be happy to answer any questions you may have and welcome any discussion of potential variances or modifications to staff's recommendation.

Sincerely,



Donald C. Kendig, CPA
Retirement Administrator

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February 4, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
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SUBJECT: ORAL REPORTS ON THE JANUARY 22, 2013 GMO INVESTMENT PRESENTATION

Dear Board Members:

This item is a placeholder for oral reports by attendees of the GMO investment presentation on January 22, 2013 from noon to 2:00 pm. It is my understanding that Mr. Goulet, Mr. Johnston, Mr. Towner, and Ms. Nemiroff, of Board Counsel, were in attendance. While the Education and Travel Policy only provides for Board Member reports, I look forward to hearing from Board Counsel too.

I would be happy to respond to any questions you may have on this matter.

Sincerely,



Donald C. Kendig, CPA
Retirement Administrator