

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

FEBRUARY 27, 2012

MINUTES

DIRECTORS

PRESENT:

William W. Wilson, Chair, Public Member
Tracy Towner, Vice Chair, Safety Employee Member
Steven Hintz, Treasurer-Tax Collector
Peter C. Foy, Public Member
Albert G. Harris, Public Member
Joseph Henderson, Public Member
Robert Hansen, General Employee Member
Arthur E. Goulet, Retiree Member
Chris Johnston, Alternate Employee Member
Will Hoag, Alternate Retiree Member

DIRECTORS

ABSENT:

Tom Johnston, General Employee Member

STAFF

PRESENT:

Henry Solis, Interim Retirement Administrator
Lori Nemiroff, Assistant County Counsel
Christina Stevens, Fiscal Manager

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 February 27, 2012, to order at 9:00 a.m.

II. APPROVAL OF AGENDA

Mr. Harris moved, seconded by Mr. Hansen, to approve the Agenda.

Motion passed.

III. APPROVAL OF MINUTES

A. Business Meeting of January 23, 2012.

Mr. Goulet offered corrections. He stated that on page 7, the last paragraph, the first sentence should read, "...due to its investments in emerging...;" and the motion on page 17 should reflect the names of the Board members whose attendance was approved, as incorporation by reference was insufficient.

Mr. Wilson requested that on page 17 item VII. B. the first paragraph be redrafted to reflect that VCERA would ask the County to provide the County Counsel Opinion regarding the authority to set the Retirement Administrator's salary.

Mr. Goulet moved, seconded by Mr. Harris, to approve the Minutes for the Business Meeting of January 23, 2012, as corrected.

Motion passed.

B. Disability Meeting of February 6, 2012.

Mr. Goulet offered a correction on page 3, Item A., the third paragraph, the second sentence, the term "salary" should be replaced with the term "final compensation."

Mr. Goulet moved, seconded by Mr. Harris, to approve the Minutes for the Disability Meeting of February 6, 2012, as corrected.

Motion passed.

IV. CONSENT AGENDA

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

B. Report of Checks Disbursed in January 2012.

C. Asset Allocation as of January 2012.

IV. CONSENT AGENDA (continued)

- D. Statement of Plan Net Assets, Statement of Changes in Plan Net Assets, Investments & Cash Equivalents, and Schedule of Investment Management Fees for the Month Ended November 30, 2011.
- E. Budget Summary for the Month Ended January 31, 2012, Fiscal-Year 2011-12.
- F. Real Estate Investment Managers Fourth Quarter 2011 Information.
 - 1. UBS
 - 2. Prudential
 - 3. Guggenheim
 - 4. RREEF
- G. BlackRock Asset Management Report for the U.S. Equity Market Fund, Extended Equity Market Fund, ACWI EX-US Fund, U.S. Debt Index Fund for the Month Ended January 31, 2012.

Mr. Hansen moved, seconded by Mr. Harris, to approve the items on the Consent Agenda.

Motion passed.

V. INVESTMENT INFORMATION

- A. Prudential Real Estate Investors Annual Investment Presentation, Mark Oczkus, Principal and Steve McSkimming, VP.

Steve McSkimming, Vice President, was present from Prudential Real Estate Investors ("PREI") to review the firm's organization, the investment strategy, the VCERA account investment results and the market outlook.

Mr. McSkimming provided an update on the numerous changes in the PREI organization. He stated that Dale Taysom, Global Chief Operating Officer, who had been with the organization for over 34 years, announced he will be retiring at the end of 2012 and Eric Adler, CEO of Pramerica Europe, will fill his position. David Bradford, Global Chief Risk and Investment Officer, will be the head of global client services, a newly created position, while Roger Pratt, Senior Portfolio Manager, will assume Mr. Bradford's responsibilities as the Chief Risk and Investment Officer for the U.S. Kevin R. Smith, Managing

V. INVESTMENT INFORMATION (continued)

- A. Prudential Real Estate Investors Annual Investment Presentation, Mark Oczkus, Principal and Steve McSkimming, VP. (continued)

Director, Senior Portfolio Manager for PRISA since 2002 will become the head of U.S. Business, and Cathy Marcus will succeed Mr. Smith as the senior portfolio manager for PRISA.

Mr. McSkimming reviewed their investment strategy in general. He stated that their model incorporates an investment advisor committee, in depth research, strategy and analysis on the individual transactions overseen by three levels of portfolio management backed by a stable financially secure parent company.

Mr. McSkimming stated that core real estate was comprised of office, industrial, apartment, and retail sectors, with limited exposure to hotel and storage properties; and PRISA's strategy was to invest in these properties in diversified regions of the U.S., with a targeted rate of return of 7.5% to 9.5%.

Mr. Wilson received clarification that the approximately 15% of the portfolio assets that were in Los Angeles were well insured for earthquakes. In response to further inquiry, Mr. McSkimming explained that PRISA had moved toward more conservative investment guidelines, reduced their leverage and refined their risk metrics to include a debt to income multiple which augments the typical loan to value ratio. Mr. McSkimming stated that 100% of the assets are valued externally each quarter, and cash inflows and outflows occur in the fund at that time.

Mr. McSkimming stated that VCERA had made an initial contribution of \$60 million, had reinvested earnings of approximately \$29.4 million, net of fees and depreciation, with an account balance at December 31, 2011, of approximately \$75.7 million. With regard to the performance of the fund, he stated that while there had been negative three and five year performance, -3.25% and -1.89% respectively due to the 2008 and 2009 market, the fund showed strong performance for the year of 17.96%, and the inception to date return was 2.59%.

Mr. McSkimming opined that the fund will provide returns in the 7.5% to 9.5% range for calendar year 2012 with 75% of the return derived from income. He stated that the strong appreciation driven capital markets, low interest rates, and compression of returns were bidding up the prices, but that they anticipate growth in rents.

Mr. McSkimming stated that they are cautiously optimistic about the market and that there are a number of positive developments, including lower unemployment, strong corporate profits, low interest rates and progress on

V. INVESTMENT INFORMATION (continued)

- A. Prudential Real Estate Investors Annual Investment Presentation, Mark Oczkus, Principal and Steve McSkimming, VP. (continued)

deleveraging of businesses and individuals; but on the negative side unemployment is still high, the financial markets are volatile, the housing market is struggling, individuals and businesses could continue to deleverage, the debt crisis in Europe is still unresolved and the upcoming elections create uncertainty. As a consequence of these market conditions there has been good performance for the last two years in the real estate market with the returns for 2011 derived 10% from appreciation and approximately 5.5% from net income, stated Mr. McSkimming. According to Mr. McSkimming the \$1.7 trillion of commercial mortgage debt in the market coming due in the next few years will create an opportunistic environment for PRISA with its positive cash position.

Mr. Wilson received clarification that whether the interest rates remain low will be a function of the economy.

Mr. Foy received clarification that future increases in rental income will be contingent upon the property type and the location, particularly in areas not oversupplied, with the initial anticipated increases being seen in central business district ("CBD") office showing signs of recovery. Mr. McSkimming stated that because PRISA prepares operating budgets at the property level they have been able to project a 5% rent growth rate for 2012. He stated that property development is beginning to appear in the market.

Mr. McSkimming stated that the gross returns for 2011 were 19.08%, 5.56% derived from income and 13.52% from appreciation, primarily from the apartment and CBD office sectors; and a positive cash flow return of 4.32%.

Mr. Towner received clarification that storage, while offering low volatility and strong performance, was not in the benchmark so even the 5% allocation was an overweight, and both HEK and PRISA would be uncomfortable with moving any further from the core benchmark. Mr. Vandolder stated that storage should be considered value added or opportunistic. Mr. Harris pointed out that with month-to-month contracts, self-storage facilities were inflation-sensitive.

Mr. McSkimming stated that the only major change to the allocations in the 2012-2014 PRISA Investment Strategy was to decrease the allocation to office while maintaining a focus on CBD office.

V. INVESTMENT INFORMATION (continued)

- B. UBS Realty Investors Annual Investment Presentation, David Lawson, Director.

David Lawson, Director, was present to provide an update on UBS' organization, the investment process, the VCERA account investment performance and the market outlook.

Mr. Lawson stated that UBS Global Asset Management had \$578 billion under management, with 3,800 employees in 26 countries, with global real estate being one of the seven business segments. The global real estate segment had over 34 years of core and value added real estate investment experience with over \$18.2 billion of assets with 380 clients and 140 employees headquartered in Hartford, and 15 employees each in San Francisco and Dallas, according to Mr. Lawson.

Mr. Lawson stated the properties were well-diversified and heavily concentrated in population centers. He stated that the two largest asset property types were office and apartment at 34% and 31% respectively; and the two largest geographic areas were the East coast and the West coast, at 45% and 27%, respectively. The location and quality of the properties directly contributed to the 93% occupancy rate and was thus the principal driver of their significant income returns, opined Mr. Lawson.

Mr. Lawson reviewed the farm land allocation in the fund, and the development of the farm land sector investment products. Mr. Harris received clarification regarding the location of the U.S. farmland acquisitions and foreign interest in U.S. farmland.

Mr. Lawson stated that the UBS-Trumbull Property Fund ("UBS-TPF") was one of four UBS U.S. open-end real estate funds. The UBS-TPF fund had returned 7.1% since 2003 when the VCERA Board of Retirement had hired the manager and since then VCERA had invested \$124 million, withdrawn \$11 million, and reinvested \$12.7 million of distributions.

Mr. Wilson received clarification that the withdrawals were the result of the performance of the equity markets and the rebalancing of the portfolio.

Mr. Lawson stated the fund was one of the lowest leveraged funds at 14.1%. Mr. Vandolder received clarification that the highest amount of leverage in the fund over the last four years had been approximately 20%.

Mr. Wilson received clarification that the value added exposure, currently at 6.4%, referred to the condition or the risk of the asset such as acquiring an existing apartment complex that needed the units refurbished, acquiring a

V. INVESTMENT INFORMATION (continued)

- B. UBS Realty Investors Annual Investment Presentation, David Lawson, Director. (continued)

poorly leased building with expectations of leasing it up, or entering into a development joint venture. Mr. Lawson stated that they protect their interests in development projects by having the development partner guarantee the costs and completion, and they do not make an investment until the site is ready to have the permit pulled and construction commenced.

Mr. Lawson stated that they had a registered interest list, which was a queue of approximately \$2.7 billion waiting to invest in the fund; regardless, the portfolio managers are only undertaking auspicious transactions. Mr. Wilson received clarification that at the peak the withdrawal queue had been \$800 million principally due to liquidity and rebalancing needs.

Mr. Lawson stated that UBS-TPF is strategically positioned to take advantage of various investment strategies including conducting larger transactions, joint ventures, and lending.

The ten largest assets as of December 31, 2011, were located in Boston, Dallas, New York, Chicago, Washington DC, and Los Angeles, and a number of their 2011 investments were in those markets, according to Mr. Lawson. He stated the majority of the 2011 acquisitions were in the apartment sector, but that will not continue into 2012. In 2012 they will continue to make strategic quality acquisitions with a focus on income; and will make strategic dispositions for reinvestment in assets offering a greater return, commented Mr. Lawson.

The fund had \$107.0 million of debt maturities due in 2012, which Mr. Lawson opined was not significant to the fund.

Mr. Lawson stated the fund had outperformed the NFI-ODCE index over any given 3-to-5-year period, but had underperformed for both the year and the fourth quarter of 2011.

Mr. Lawson opined that there will be continuing improvement in the market, albeit at a more moderate pace, with a projected income return of 5% and appreciation being reflective of inflation.

V. INVESTMENT INFORMATION (continued)

C. Hewitt ennisknupp, Kevin Vandolder, CFA.

1. Fourth Quarter 2011 Performance Report.

Mr. Vandolder introduced Mr. Russ Charvonja, ChFC, CLU, CFP, Attorney-at-Law, of Ventura, California. After much scrutiny, Mr. Charvonja was the second of their client representatives that HEK had hired in their firm's history, according to Mr. Vandolder.

Mr. Vandolder stated that no economist would have predicted that, after Standard and Poor's downgraded U.S. Government Debt, the Barclays Capital Long Government Bond Index would have had a one year return of 29.1%, and Foreign/Global Stock Indices would be negative for the year. He stated that the first six weeks in 2012 reversed this trend.

Mr. Goulet received clarification that inflation, traditionally tied to the expansion of the federal balance sheet by the central banks increasing monetary circulation, had not occurred and the withdrawal of the money will be done very judiciously. Mr. Vandolder opined that the government's ability to manage bank reserve interest had been a key factor in assuaging the angst amongst economists with regard to their inflation expectations, regardless TIPS were up 13% in 2011 while the inflation rate had been approximately 2%.

Mr. Vandolder stated that one of the HEK client conference agenda items is the expansion of emerging market debt. He opined that markets in countries such as Jamaica, Thailand, and Iraq may give the investor pause but they were offering high single digit yields with credit risk profiles that looked extremely attractive and comparable to what was seen in the U.S. Emerging Markets was a growing sector within the MSCI ACWSI Index and was crowding out other sectors, according to Mr. Vandolder.

Mr. Vandolder stated the U.S. Fixed Income Markets were seeing an increase in U.S. Government Bonds because the U.S. was amassing huge deficits, and not because it was a wise decision from either a cost containment nor a risk control perspective with regard to the benchmark and it may not be the best positioning for total return capture over the long term, and because of this he will be encouraging the Board to consider expanding into a global fixed income program.

Mr. Towner received clarification that the currency risk can be managed through the use of derivatives. Mr. Wilson received clarification that the challenge for K2 and managing currency is that the fundamentals are not moving the currency markets but rather they are being moved by the rhetoric from Berlin, Paris, and China. Mr. Vandolder stated that Hexavest,

V. INVESTMENT INFORMATION (continued)

C. Hewitt ennisknupp, Kevin Vandolder, CFA. (continued)

Sprucegrove, and Walter Scott go benchmark neutral to manage their currency risk, but currency continues to be a challenge.

Mr. Charvonja stated the fourth quarter contributed \$182 million toward the one year investment earnings of \$17 million.

Mr. Goulet received clarification that the contributing factors to underperforming both CalPERS and CalSTRS was the size of the organization, the delay in appraising private equity and real estate, and the write down of U.S. equity compared to private equity.

Mr. Vandolder stated that VCERA is ranked in the 55 percentile relative to its peers. He stated that there will be an opportunity to explore the risk model and how to contribute to excess performance on the work plan.

Mr. Vandolder stated he had spoken to staff regarding rebalancing due to the underweight in equities and how the variances led to the underperformance.

Mr. Henderson received clarification regarding the rankings, and the challenge VCERA will have when it becomes fully funded and if it decides to derisk the portfolio because of the tremendous herding effect that exists for public funds. Mr. Vandolder emphasized that the funds have different liability streams.

Mr. Wilson received clarification that the allocations were within the ranges so rebalancing was not done.

Mr. Charvonja stated that the variance from the policy allocation were individually small 1.3% U.S. Equity, 1.5% Non-U.S. Equity, and 1.7% for Global Equity, while collectively equity was 4.5% underweighted to the policy. He stated that when the markets dramatically rebounded like they did, the underweighting became apparent.

Mr. Vandolder stated another contributing factor was Western.

V. INVESTMENT INFORMATION (continued)

C. Hewitt ennisknupp, Kevin Vandolder, CFA. (continued)

2. Monthly Investment Update, January 2012.

3. Monthly Manager Updates, January 2012.

- a. Sprucegrove
- b. Artio
- c. Hexavest
- d. Walter Scott
- e. GMO
- f. Acadian
- g. Western
- h. Reams
- i. Loomis Sayles
- j. K2

Mr. Vandolder stated emerging markets had performed well for the month of January. Mr. Charvonja highlighted Artio's outperforming the benchmark by 20 basis points, and stated Acadian will be terminated within the next couple of weeks.

Mr. Charvonja stated GMO's conservative position resulted in underperforming the benchmark by 200 basis points. He stated that the strong returns in fixed income were not likely to continue and that while real estate had come back strongly it had lagged the benchmark on a since inception basis.

Mr. Foy received clarification that the portfolio was down 1.1% for the fiscal year and so the returns for the remainder of the year would need to be approximately 9%. Mr. Vandolder stated that the return assumption rate was established for a ten or twenty year time period, and the returns for October were the best he had seen in recent memory. He stated that there was a 25 percentile probability of achieving the 8 percent return.

Mr. Vandolder stated that the geopolitical events are the most significant issue according to Mr. Buffett. However, the changes in the interest rates will significantly impact bonds.

Mr. Wilson received clarification regarding the impact of the current increase in the cost of fuel. Mr. Wilson stated it was analogous to a massive tax increase.

Mr. C. Johnston received clarification that K2 was on the "watch list." He stated that Western Index Plus had been on the "watch list" for over three years, and that being out of compliance for that period of time was wrong.

V. INVESTMENT INFORMATION (continued)

C. Hewitt ennisknupp, Kevin Vandolder, CFA. (continued)

Mr. Vandolder stated that Western Index Plus had exceeded their 5% mandate for high yield securities and had invested 5.38%, and while he understood their investment thesis, while VCERA was not rewarded for the risk in the one year returns, it was within the Board's purview to direct them to come into compliance. Mr. Vandolder stated that Investment Guidelines were not restrictions, but were a means to communicate the risk tolerance of the Board to the manager.

Mr. C. Johnston moved, seconded by Mr. Hintz, to direct Western to come into compliance with VCERA's investment guidelines.

Motion passed. Mr. Henderson opposed.

Mr. Foy received clarification that it was an issue of governance.

Mr. Wilson posited that the manager should have come to the Board and requested that the guideline be changed.

Mr. Charvonia stated that the value of the portfolio was \$3.154 billion at January 31, 2012, having gained approximately \$84 million since the end of the year. The fund returned 3.9%, Clifton added 10 basis points, according to Mr. Charvonia.

Mr. Vandolder stated that to date February was providing positive returns.

Mr. Hansen moved, Mr. Harris seconded, to receive and file the Monthly Manager Update and the Fourth Quarter 2011 Performance Report.

Motion passed.

4. Highlights and Research, February 2012.

a. Real Estate 2012 Overview & Outlook

Mr. Vandolder stated that there is strong pricing in the real estate market, with stable and smooth returns. Research is showing that the real estate market is recovering and will continue to improve, the only issue being when. He stated that while there has been a substantial recovery, the expansionary period will help RREEF.

Mr. Foy received clarification that while Mr. Vandolder believed that the real estate market had hit bottom there were pockets that were recovering more

V. INVESTMENT INFORMATION (continued)

C. Hewitt ennisknupp, Kevin Vandolder, CFA. (continued)

slowly than others due to demographics. Mr. Vandolder stated he would forward the GMO correspondence he was to receive the following week to the Board Members.

Mr. Vandolder encouraged the Board to think of Real Estate as a global asset.

Mr. Vandolder stated that PRISA was continuing to see valuation improving in its efficiency and becoming more volatile.

Mr. Wilson received clarification that both PRISA and UBS had value added strategies that could be used to invest tactically. Mr. Vandolder stated the asset valuation study will be used to repopulate the risk budget and VCERA has a relatively high level in real estate currently, but the decision will be based upon the risk preferences from a total return perspective of the Board of Retirement.

b. BlackRock Update

Mr. Vandolder stated that BlackRock returned with fee schedule concessions that totaled \$80,000 and encouraged the Board to approve the concessions and begin a formal Request For Proposal process in June following the Asset Liability Study for the index funds.

Mr. Vandolder stated, in response to Mr. C. Johnston's query, that BlackRock is changing the contract with regard to the break points and Mr. Goulet received clarification that HEK has independently calculated the fee savings.

Mr. Wilson stated his preference would have been to show the existing fees. Mr. Goulet stated that it was a defect in the report and he would like to see the proposed changes at the next meeting.

Mr. Wilson received clarification that the fee savings would go into effect immediately upon execution.

Mr. C. Johnston stated he would like the entire contract. Mr. Vandolder opined that staff could report back to the Board with any changes in the documents.

Mr. Vandolder advised the Board to focus on four areas in the contract: fees, fiduciary language, liquidity provisions, and guidelines; and it was not necessary for the Board Members to go through the minutia of the contract.

V. INVESTMENT INFORMATION (continued)

C. Hewitt ennisknupp, Kevin Vandolder, CFA. (continued)

Mr. Goulet moved, seconded by Mr. C. Johnston, to return to the Board at the March Business meeting and provide the current BlackRock agreement, a comparison of the current fee agreement and proposed changes, and a comparison calculation to determine if what BlackRock is proposing will result in a fee savings of \$80,000 annually.

Motion passed.

c. PIMCO Update

Mr. Vandolder stated that there was a correction to the Concentration Limits section of the materials. He stated that the phrase, "Concentration Limits to Sectors or Security Types:" should be inserted between, "Issuers rated BB+ and lower," and "High Yield Securities (rated below BBB-)."

Mr. Vandolder stated that the Asset Types and Investment Vehicles, including Private Placements, were included to provide PIMCO with the best opportunity to be successful in this mandate.

Mr. C. Johnston stated the types of investments posed an unacceptable risk level.

Mr. Towner received clarification that while Exhibit C stated that the Account Percentage Limitation for the Emerging Markets and High Yield Portfolios was 100% it was pro forma for the fees schedule and the language in Exhibit D was applicable to the concentration limits.

A discussion ensued regarding the apparent ambiguities in Exhibit C and D, and resultant potential risk and exposure to VCERA.

Mr. Vandolder stated the Board could request a side letter to address the Board's concerns.

Ms. Nemiroff stated her preference that the Exhibits be consistent.

Mr. Goulet received clarification that the last paragraph on page 5 of exhibit C referred to the investment guidelines in the investment policy, and not the guidelines in Exhibit D.

Mr. Vandolder stated many of HEK's other clients had used this contract, but that it was important that the iterative discussions occur so that the Board is comfortable.

V. INVESTMENT INFORMATION (continued)

C. Hewitt ennisknupp, Kevin Vandolder, CFA. (continued)

Mr. Wilson stated that the Board is asking for active management and if the Board is not comfortable with having a manager making these decisions, and a critical one is going short to protect the asset value, then the Board should hire a passive manager.

Mr. Charvonja stated it would not be a loss of principal, but a loss of investment return.

Mr. Vandolder stated that the investment constraints on the trading floor will be the concentration limits, but he will work with staff, Ms. Nemiroff, and Mr. Charvonja to incorporate consistent language.

Mr. Goulet stated the terms "manager," "firm," and "PIMCO" are used in Exhibit D and he would like them to be the same.

Mr. Towner moved, seconded by Mr. Hintz, to agendize the approving and executing the PIMCO documents at the next business meeting.

Motion passed.

Mr. Towner moved, seconded by Mr. C. Johnston, to accept the Highlights and Research.

Motion approved.

5. 2012 Investment Work Plan.

Mr. Kendig added a soft Agenda Deadline to the 2012 Investment Work Plan.

Mr. Vandolder highlighted the HEK Client Conference will be May 30-31, 2012, and will have a variety of tracks, including a public funds tract; the June policy review of rebalancing; and the October Board Investment Policy Retreat.

Mr. C. Johnston moved, seconded by Mr. Hintz, to approve the 2012 Investment Work Plan.

Motion passed.

Mr. Towner and Mr. Foy exited the meeting.

VI. NEW BUSINESS

- A. Letter from Chairman Wilson requesting that the Board confirm the appointment of Donald Kendig to the position of Retirement Administrator, approve the recommended salary, and consider Mr. Kendig's request for enhanced annual leave accrual under Section 616 of the Management Resolution. A signed original Board letter will be on file in VCERA's offices prior to the Board meeting.

Mr. Goulet moved, seconded by Mr. Hansen, effective March 5, 2012, to appoint Donald Kendig to Retirement Administrator, approve a base salary of \$158,000 per year, approve giving credit to Mr. Kendig for 15 years of prior public service for the purpose of determining his annual leave accrual rate and direct staff to communicate to the County of Ventura CEO the Board's approval of and recommendation for the enhanced annual leave accrual rate for Mr. Kendig.

Motion passed.

- B. Cost-of-Living Adjustments (COLA) Letter from Segal.

Mr. Wilson stated Segal recommended a 2% cost-of-living adjustment.

Mr. C. Johnston moved, seconded by Mr. Harris, to approve a 2% cost-of-living adjustment.

Motion passed.

- C. Request to Attend CALAPRS General Assembly, Rancho Mirage, CA – March 5 - 6 2012.

Mr. Hansen moved, seconded by Mr. Harris, to approve Mr. Goulet's request to attend CALAPRS General Assembly in Rancho Mirage, CA on March 5-6, 2012.

Motion passed.

- D. Conference Report; CALAPRS Trustees' Roundtable –Trustee Art Goulet.

Mr. Hansen moved, seconded by Mr. Harris, to receive and file Mr. Goulet's CALAPRS Trustees' Roundtable Conference Report.

Motion passed.

VII. OLD BUSINESS

A. Pension Administration System (PAS) Project.021250.

1. Approve and Execute Contracts/Agreements with Vitech Systems Group, Inc. and Vitech Systems Group Hosting Services, Inc.021700.

Staff stated there was a correction to the first sentence of the Board Letter- the "\$4,450,000" should be "\$4,607,000."

Mr. Colker, Principal of Linea Solutions, Inc. was present to discuss the approval and execution of the contracts with Vitech Systems Group, Inc. and Vitech Systems Group Hosting Services, Inc.

Mr. Colker reviewed the history of the contracting process with Vitech, including his satisfaction with the contract, and the contributions made to the process by Trustee Goulet.

Mr. Goulet stated that VCERA will pay \$200,000 upon execution of the contract, which is more than an \$800,000 reduction from the early payment requirements in the initial contract. He stated his satisfaction with the current document.

Mr. Goulet moved, seconded by Mr. Hansen second, to approve the contract and authorize the Chair to execute.

Motion passed.

2. Approve and Execute a Contract with Linea Solutions, Inc. for Project Oversight of the Pension Administration System.

Staff stated the following corrections were to be incorporated into the documents: on Schedule 3.1 of the Linea Solutions Master Services Agreement: The not-to-exceed amount should read, "\$2,088,407," and on the same Schedule the date to conclude should read, "12/31/2014;" on Attachment A: Statement of Work for PAS Consulting Services should reflect Linea Solutions, Inc. has primary responsibility for the project, and; the documents should reflect the project will begin in March 2012.

Staff stated that they will return to the Board in three months regarding resourcing the data conversion component of the project.

Staff noted that while it was anticipated that the PAS project would take 33 months to complete, Linea Solutions, Inc. had contracted that the non-to-exceed amount would be applicable to their services up to 36 months.

VII. OLD BUSINESS (continued)

A. Pension Administration System (PAS) Project.021250. (continued)

Mr. Goulet discussed his role in the contract negotiations, and stated the assurances offered by the County of Ventura Auditor-Controller were insufficient regarding their critical role in the success of the project.

Staff stated that the Auditor-Controller was unable to commit further until VCERA was able to provide them with a description of what they were committing to do, and that would be forthcoming.

Mr. Henderson moved, seconded by Mr. Goulet, to direct staff to memorialize VCERA's understanding regarding the Auditor-Controller's oral representations and deliver it to them.

Motion passed.

VIII. INFORMATIONAL

A. SACRS 2012 Spring Conference Information.

B. Publications. (Available in Retirement Office)

1. Institutional Investor
2. Pensions and Investments

IX. PUBLIC COMMENT

Mr. Kendig shared his vision for VCERA to be the model of excellence for public pension plans around the world. He reviewed his activities in anticipation of his employment with VCERA.

Mr. Solis expressed his appreciation to Mr. Goulet, Ms. Nemiroff, and everyone involved in the successful contract negotiations regarding the Vitech and Linea contracts.

X. BOARD MEMBER COMMENT

Mr. Hansen stated on behalf of the VCERA Board of Retirement their appreciation for the great job Mr. Solis did as the Interim Retirement Administrator.

Other Members of the Board elaborated and concurred.

XI. CLOSED SESSION AND ADJOURNMENT

It is the Intention of the Board of Retirement to Meet in Closed Session to Discuss Those Items Listed on Attachment A to This Agenda.

Pursuant to the provisions of Government Code Section 54957, the Board of Retirement adjourned into a closed session for the evaluation of a public employee: Interim Retirement Administrator. Ms. Nemiroff stated that there would be no public announcement and the conclusion of closed session, and that the Board would adjourn in closed session.

The Board adjourned while in closed session.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Donald C. Kendig", written over a horizontal line.

DONALD C. KENDIG, CPA, Retirement Administrator

Approved,

A handwritten signature in blue ink, appearing to read "William W. Wilson", written over a horizontal line.

WILLIAM W. WILSON, Chairman