

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

MARCH 19, 2007

MINUTES

DIRECTORS PRESENT: Tracy Towner, Chair, Safety Employee Member
William W. Wilson, Vice Chair, Public Member
Lawrence L. Matheney, Treasurer, Ex-officio Member
Peter C. Foy, Board of Supervisors
Karen Becker, General Employee Member
Robert Hansen, General Employee Member
Joseph Henderson, Public Member
Arthur E. Goulet, Retiree Member
Chris Johnston, Alternate Employee Member
Will Hoag, Alternate Retiree Member

DIRECTORS ABSENT: Albert G. Harris, Public Member

STAFF PRESENT: Tim Thonis, Retirement Administrator
Lori Nemiroff, Assistant County Counsel

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 Towner called the Business Meeting of March 19, 2007, to order at 9:00 a.m.

Mr. Schmit was delayed in his arrival to administer the Oath of Office to Mr. Robert Hansen. Mr. Hansen was unable to participate in the meeting until Mr. Schmit's arrival after agenda item VI A.

II. APPROVAL OF AGENDA

Mr. Thonis requested several changes to Item VI B including the correction in the numerical sequence contained in the 1st Extension of Lease dated February 28, 2007, the addition of page #1 to the Original Lease dated December 2001 (copies provided to trustees prior to the meeting) and the addition of item #4 "Proposal to Renew Lease Agreement" dated February 2, 2007.

Ms. Becker moved, seconded by Mr. Wilson, to approve the Agenda as amended.

Motion passed. Mr. Hansen did not vote.

III. APPROVAL OF MINUTES

- A. Disability Meeting of March 5, 2007.

Mr. Goulet moved, seconded by Mr. Matheney, to approve the Minutes for the Disability Meeting of March 5, 2007 as submitted.

Motion passed. Mr. Hansen did not vote.

IV. CONSENT AGENDA

- A. Regular and Deferred Retirements and Survivors Continuances for the Month of February 2007.
- B. Statement of Plan Assets, Statement of Changes in Plan Net Assets, Summary of Investments and Cash Equivalents, Statement of Reserves and Schedule of Investment Management Fees for the Months Ended February 28, 2007.
- C. Report of Checks Disbursed in February 2007.
- D. Budget Summary for the Month Ended February 28, 2007, Fiscal-Year 2006-07.
- E. Barclays Global Investors Report for the U.S. Equity Index Fund, Extended Equity Market Fund, U.S. Debt Index Fund for the Month Ended February 28, 2007.

Mr. Matheney moved, seconded by Mr. Goulet, to approve the items in the Consent Agenda.

Motion passed. Mr. Hansen did not vote.

V. INVESTMENT INFORMATION

A. EnnisKnupp & Associates Materials.

1. Monthly Investment Performance Update.

Staff provided an update of the fund performance for the month ending February 28, 2007.

Mr. Wilson noted BGI's out-performance in all products for the three-year period, Mr. Hansen discussed the reasons behind Loomis Sayles' out-performance in February and Mr. Matheney commented regarding the strength of VCERA's total returns versus the assumption rate over the 3, 5, and 10-year periods.

2. Monthly Manager Updates/Summary, February 2007.

- a. Delta
- b. LSV
- c. Wasatch
- d. Sprucegrove
- e. Capital Guardian
- f. GMO
- g. Wellington
- h. Western
- i. Reams
- j. Loomis Sayles

Staff commented on Delta's organization change.

Mr. Wilson moved, seconded by Mr. Matheney, to receive and file the Monthly Investment Report and Monthly Manager Updates/Summary.

Motion passed. Mr. Hansen did not vote.

B. Recommendation to Approve Western Local Market Debt & Floating Rate High Income Fund LLCs.

- 1. Letter from Staff.
- 2. Confidential Offering Memorandum.
- 3. Subscription Booklet.

V. INVESTMENT INFORMATION (continued)

- B. Recommendation to Approve Western Local Market Debt & Floating Rate High Income Fund LLCs. (continued)

Staff provided a summary of Western Asset Management's Local Market Debt and Floating Rate High Income Fund LLCs and recommended VCERA's participation and requested the Chairman be authorized to sign the Subscription Booklet.

Mr. Wilson moved, seconded by Mr. Goulet, to approve VCERA's participation in Western Asset Management's Local Market Debt and Floating Rate High Income Fund LLCs.

Motion passed. Mr. Hansen did not vote.

VI. OLD BUSINESS

- A. Recommendation to Adopt VCERA District Withdrawal Policy.

1. Letter from Staff.
2. District Withdrawal Policy.
3. Certification by The Segal Company to VCERA.
4. Legal Analysis by Ashley K. Dunning of Steefel, Levitt & Weiss - CONFIDENTIAL.

Staff reviewed the background and the rationale for the development of the proposed District Withdrawal Policy and summarized how active member contributions would be treated, the methodology followed by the consulting actuary in calculating district assets and liabilities and options the Board may face should the calculation result in either a "Net Asset" or a "Net Liability".

Ms. Ashley Dunning from Steefel, Levitt & Weiss summarized the legal bases that were contained in her confidential memorandum. Ms. Dunning commented that there were three fundamental issues faced in developing the policy:

1. The calculation methodology contained in the draft policy was different than the default policy contained in the '37 Act and this issue was one of the main reasons why the Board would want to adopt a policy that contained an actuarial certification regarding the calculation methodology.

VI. OLD BUSINESS (continued)

- A. Recommendation to Adopt VCERA District Withdrawal Policy. (continued)
2. What options the Board may have when the resulting calculation determines either a "Net Asset" or "Net Liability".
 3. How member contributions will be treated upon the withdrawal of a contracting district.

Mr. Wilson questioned the remedy available to VCERA in terms of a "Net Liability" situation and the ability to collect the required additional contributions. Mr. Matheney commented further regarding choices a withdrawing district may face in terms of owing additional contributions to both the current retirement system as well as the "legacy" system.

Mr. Wilson questioned the ability to transfer current retirees to the successor system and was informed that such a transfer wasn't allowed.

Mr. Towner questioned whether a withdrawing district that was in a "Net Asset" position would have the ability to have those assets transferred and was informed that only when there were no longer any retirees or survivors remaining in VCERA would such a transfer be allowed.

Mr. Matheney requested clarification on language contained on page 4 of the policy in the last sentence of paragraph 6 and suggested the insertion of the word "active" before the word "employees".

Mr. Goulet commented on the potential issue that may be encountered regarding VRSD employees who may have County of Ventura service as well.

Ms. Dunning responded that in her view the issue focuses on the fact that the employee contributions would be withdrawn and that causes the employees membership to be terminated with VCERA. Ms. Dunning offered the parenthetical inclusion of the statement "whether accrued as County or District service" be inserted in the 5th line of the paragraph. Ms. Dunning also suggested changes to the last sentence in paragraph 6 to read "Upon such transfer, said employees of the terminated District shall be entitled to no VCERA benefits attributable to their service with the District" and on page 3, paragraph #4 the deletion of the extra phrase that reads "accumulated assets of" in the first line.

Mr. Goulet moved, seconded by Mr. Wilson, to adopt the District Withdrawal Policy with all suggested changes.

VI. OLD BUSINESS (continued)

- A. Recommendation to Adopt VCERA District Withdrawal Policy. (continued)

Motion passed. Mr. Hansen did not vote.

Chairman Towner requested Mr. Philip Schmit, Ventura County Clerk, deliver the Oath of Office to Robert Hansen for a term of three years on the Board of Retirement.

- B. Recommendation to Approve 1st Extension of Lease with M.F. Daily Corporation.

1. Letter from Staff.
2. 1st Extension of Lease dated February 28, 2007.
3. Original Lease dated December 2001.
4. Proposal to Renew Lease Agreement dated February 2, 2007.

Mr. Hansen moved, seconded by Mr. Wilson to approve the First Extension of Lease with M.F. Daily.

Motion passed.

VII. NEW BUSINESS

- A. Board Policy Review.

1. Letter from Staff.
2. Monitoring and Reporting Policy.
3. Retirement Administrator Performance Evaluation Policy.
4. Board Policy Development Process.

Staff summarized the suggested changes to the Monitoring and Reporting Policy and the Retirement Administrator Performance Evaluation Policy including changing all references to the Board's Ad Hoc Committee to Personnel Committee throughout all of VCERA's governance policies.

Mr. Goulet suggested the addition of paragraph C in Item 7 to read: The Personnel Committee shall report to the Board the proposed evaluation

VII. NEW BUSINESS (continued)

A. Board Policy Review. (continued)

criteria and relative weights that are established by the Committee for reviewing the Administrator's performance.

The Board held discussion on the Administrator Evaluation process.

Mr. Hansen moved, seconded by Ms. Becker to adopt the policy suggestions made by staff.

Motion passed. Mr. Goulet opposed.

B. Letter from Staff Regarding Request to Attend the California Retired County Employees Association Conference.

Mr. Wilson moved, seconded by Mr. Henderson, to approve Mr. Goulet's travel to the California Retired Employees Association Conference.

Motion passed.

C. Quarterly Administrator's Travel Report.

Mr. Goulet moved, seconded by Mr. Matheney, to receive and file the Quarterly Administrator's Travel Report.

Motion passed.

VIII. CLOSED SESSION

The Board of Retirement adjourned into a Closed Session pursuant to the provisions of Government Code section 54956.9, Subdivision (a), to discuss one item of existing litigation, George Mathews; Individually, and on Behalf of All Others Similarly Situated, v. Ventura County Employees' Retirement Association; and County of Ventura, Case No. CIV220607 Court of Appeal Case No. B191722 with Mr. Goulet and Mr. Hoag not participating in Closed Session.

No announcement was made upon returning to open session.

VII. INFORMATIONAL

A. Publications (Available in Retirement Office)

1. Institutional Investor
2. Pensions and Investments

VII. INFORMATIONAL (continued)

- B. Letter from Marla K. Ryan, CFA, Delta Asset Management Regarding Recent Acquisition of Investment Team.

VIII. PUBLIC COMMENT

Mr. Thonis requested the Board consider reopening Item VI A in order to allow an additional clarification to the District Withdrawal Policy.

Mr. Henderson moved, seconded by Mr. Hansen, to reopen Item VI A

Staff suggested the language included parenthetically in Item 6, be changed to read "whether accrued county, district, or public service".

Mr. Goulet moved, seconded by Mr. Wilson, to readopt the District Withdrawal Policy with this additional modification.

Motion passed.

IX. BOARD MEMBER COMMENT

None

X. ADJOURNMENT

There being no further items of business before the Board, Chairman Towner adjourned the meeting at 10:10 a.m.

Respectfully submitted,


TIM THONIS, Administrator

Approved,


TRACY TOWNER, Chair