

# VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

## BOARD OF RETIREMENT

### BUSINESS MEETING

MAY 19, 2008

### MINUTES

**DIRECTORS PRESENT:** Tracy Towner, Chair, Safety Employee Member  
William W. Wilson, Vice Chair, Public Member  
Lawrence L. Matheney, Treasurer, Ex-officio Member  
Albert G. Harris, Public Member  
Karen Becker, General Employee Member  
Robert Hansen, General Employee Member  
Arthur E. Goulet, Retiree Member  
Chris Johnston, Alternate Employee Member  
Will Hoag, Alternate Retiree Member

**DIRECTORS ABSENT:** Peter C. Foy, Public Member  
Joseph Henderson, 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 May 19, 2008, to order at 9:00 a.m.

**II. APPROVAL OF AGENDA**

Mr. Harris moved, seconded by Mr. Matheney, to approve the agenda.

Motion passed.

**III. APPROVAL OF MINUTES**

A. Special Meeting of April 28, 2008.

Mr. Harris moved, seconded by Mr. Goulet, to approve the Minutes for the Special Meeting of April 28, 2008.

Motion passed.

A. Disability Meeting of May 5, 2008.

Ms. Becker moved, seconded by Mr. Harris, to approve the Minutes for the Disability Meeting of May 5, 2008.

Motion passed. Mr. Goulet abstained.

**IV. CONSENT AGENDA**

- A. Regular and Deferred Retirements and Survivors Continuances for the Month of April 2008.
- B. Statement of Plan Assets, Statement of Changes in Plan Net Assets, Summary of Investments and Cash Equivalents and Schedule of Investment Manager Fees for the Months Ended March 31, 2008 and Statement of Reserves as of December 31, 2007.
- C. Report of Checks Disbursed in April 2008.
- D. Budget Summary for the Month Ended April 30, 2008, Fiscal-Year 2007-08.
- E. Barclays Global Investors Report for the U.S. Equity Index Fund, Extended Equity Market Fund, U.S. Debt Index Fund, ACWI EX-US Fund for the Month Ended April 30, 2008.

IV. CONSENT AGENDA (continued)

F. Quarterly Real Estate Reports for Period Ending March 31, 2008

1. UBS
2. Prudential
3. RREEF

Mr. Matheney moved, seconded by Mr. Harris, to approve the Consent Agenda.

Motion passed.

V. INVESTMENT INFORMATION

A. EnnisKnupp & Associates.

1. Monthly Investment Performance Update.
2. Monthly Manager Updates/Summary, April 2008.
  - a. Delta
  - b. LSV
  - c. Wasatch
  - d. Sprucegrove
  - e. Capital Guardian
  - f. GMO
  - g. Wellington
  - h. Western
  - i. Reams
  - j. Loomis Sayles

Staff reviewed the investment performance for the month of April noting the \$90 million growth in assets during the month, the rebalancing of the portfolio that occurred in March, the positive return in Western's Index Plus equity portfolio, the struggles of Capital Guardian and Sprucegrove to outperform a very strong benchmark return in April and the positive relative performance during April of the Western, Reams and Loomis Sayles fixed income portfolios. Staff further noted that April was the first month of positive performance in the equity markets since September.

V. **INVESTMENT INFORMATION (continued)**

A. EnnisKnupp & Associates. (continued)

3. Memorandum –Western Asset Management and Residential Capital Debt Restructuring.

Staff provided a review of the circumstances surrounding Western's request to be allowed to participate in the May 14, 2008 debt restructuring at Residential Capital. Staff noted the level of VCERA's investment in Residential Capital and that staff authorized Western to participate on VCERA's behalf in the May 14, 2008 debt restructuring. Staff requested the Board ratify its authorization.

Mr. Wilson moved, seconded by Mr. Goulet, to confirm staff's authorization for Western Asset Management to participate on VCERA's behalf in the Residential Capital debt restructuring.

Motion Passed.

B. Letter from Staff Regarding a Site Visit to Western Asset Management.

Staff invited the Board to participate in a due diligence site visit planned at Western Asset Management on June 16, 2008. EnnisKnupp & Associates will be participating as well.

Ms. Becker moved, seconded by Mr. Matheney, to receive and file the monthly investment report and letter from staff regarding the planned site visit to Western Asset Management.

Motion Passed.

VI. **OLD BUSINESS**

A. Letter from Trustee Arthur Goulet on Reconsideration of Interest Crediting Policy.

Mr. Goulet reviewed his concerns of the recently adopted interest crediting policy and focused his comments on the process that requires the crediting to the County Advance Reserve of the difference between the member crediting rate and the actuarially assumed interest rate. Mr. Goulet was especially concerned when such crediting took place at mid-year, or December 31, and he believed that the crediting of different rates, and an increased amount to the County Advance Reserve, may be a violation of

VI. OLD BUSINESS (continued)

- A. Letter from Trustee Arthur Goulet on Reconsideration of Interest Crediting Policy. (continued)

the California Constitution. Mr. Goulet also expressed reservations that the additional crediting to the County Advance Reserve contributed to an increase in the Contra Reserve.

Mr. Wilson requested counsel provide a legal analysis of the policy.

Ms. Nemiroff summarized that the policy is legal and focused her remarks on the language changes and the legislative history of Government Code section 31453 that allowed the crediting of different rates of interest. Ms. Nemiroff further noted that in 2003, when the Board first developed the Interest Crediting Policy, that representatives from REAVC and SEIU were present at the meetings and raised no objection to the policy that allowed the crediting of member accounts at a market rate rather than the assumed rate. As Ms. Nemiroff recalled, it was the actuary who recommended the crediting of interest at market rates to member accounts, but it was also recognized that the valuation reserves of the plan needed to increase at the actuarially assumed rate in order to maintain the actuarial soundness of the plan. One option to maintain the actuarial soundness was to credit the incremental difference between the two rates to the County Advance Reserves.

Ms. Nemiroff further noted that during this time frame many systems were experiencing flat to negative returns and there were risks that earnings would not be available to credit any interest. The recommendation to utilize a market rate for member reserves was an attempt to balance these risks of little to no earnings versus the requirement to credit interest to member reserves. It was further noted that the crediting of interest at a market rate would have no impact on member retirement benefits, but would impact those members who requested refunds from the system. Ms. Nemiroff recalled that when the Board first adopted this policy in 2003, most of the focus was on the actuary's recommendations and there was not much discussion of alternatives on where to credit the incremental difference between the market rate and the assumed rate. Ms. Nemiroff recommended the Board discuss this matter on September 15, 2008 when outside counsel and the actuary were next scheduled to be present to appear before the Board.

Mr. Goulet expressed concern that September 15<sup>th</sup> would be too late since VCERA had already credited the difference to the County Advance Reserve

VI. OLD BUSINESS (continued)

- A. Letter from Trustee Arthur Goulet on Reconsideration of Interest Crediting Policy. (continued)

at December 31<sup>st</sup> and had not sought the approval of the Board of Supervisors to credit different amounts of interest.

Ms. Nemiroff stated that outside counsel's view of this subject was that the requirement to seek Board of Supervisor's approval of the interest crediting rate was a remnant of a prior period when these plans were more like "defined contribution" plan and rates of interest, not benefit formula, drove benefit amounts.

Mr. Goulet expressed concern that outside counsel was making law and not interpreting the law. Mr. Goulet further expressed concern that the actuarial report did not note a different interest crediting rate for the County Advance Reserve.

Staff responded that in the aggregate the reserves were growing at the assumed rate and there wasn't a different rate of interest being applied to the valuation reserves other than the member. Staff also provided a review of the interest crediting process as a whole and summarized the process for the period ending December 31, 2007.

Mr. Matheney moved, seconded by Mr. Wilson, to table this item until the September business meeting.

Motion Passed.

VII. NEW BUSINESS

- A. 2008 VCERA Business Plan.

Staff reviewed VCERA's 2008 Business Plan and noted the risks faced by the Board and VCERA in terms of the plan sponsors, state and federal legislative changes, financial reporting, investment and technology.

Staff also reviewed the progress made in 2007 towards the objectives that were established last year noting the progress in areas such as member services, plan administration, information technology and investments. Staff further noted a lack of achievement in having VCERA's written communications reviewed by an outside consultant.

VII. NEW BUSINESS (continued)

A. 2008 VCERA Business Plan. (continued)

Mr. Goulet stated, that in his view, VCERA did not communicate adequately with its membership through its newsletter.

Staff communicated its plans for 2008 noting staff training, fiduciary training, a review of professional staff requirements, office space requirements, information technology and a potential for increased scrutiny of public plans by the IRS as areas of attention in the upcoming year.

Mr. Wilson moved, seconded by Mr. Harris, to adopt the 2008 Business Plan.

Motion Passed.

B. Letter from Staff Requesting Board Authorization of Organizational Changes.

Staff reviewed its letter requesting the Retirement Administrator be authorized to work with the County of Ventura's Human Resources Director to accomplish the outlined changes to VCERA staff positions. The primary reason cited for the suggested changes was to attract and retain quality employees in order to meet the ever increasing demands for VCERA's services.

Ms. Becker noted that she would not be voting on the matter based on her position within the County of Ventura's Human Resource department.

Mr. Goulet requested to be updated on the progress of staff's work with the County of Ventura over the next couple of months.

Mr. Harris moved, seconded by Mr. Matheney, to adopt staff's recommendation to work with the County of Ventura regarding VCERA's organizational changes.

Motion Passed.

The Board and staff held informal discussions on the pros and cons of obtaining special district status.

VII. NEW BUSINESS (continued)

C. 2008-09 Administrative Budget and Travel Policy.

Staff reviewed the 2008-09 budget noting the budgeted increase in salaries and employee benefits due to staff additions/changes and increases in services and supplies attributable to technology enhancements. Overall, the 2008-09 fiscal year budget for VCERA totaled \$4.3 million according to staff.

Mr. Goulet offered several changes to the Travel Policy. Mr. Goulet requested that the Manatt, Phelps, & Phillips fiduciary symposium be included, like the SACRS conference, as a conference that does not count towards the three conference limit and VCERA should consider raising the \$350 conference cost limit due to increased air fares.

Mr. Hansen expressed his concern with the Travel Policy in terms of due diligence visits and noted that no objections were voiced when he mentioned his desire to visit Western Asset Management on April 21, 2008.

Mr. Towner noted that VCERA's Travel Policy requires Board approval for trustee travel and trustees should seek approval prior to conducting due diligence visits. Mr. Towner expressed that the Travel Policy does not preclude a board member from visiting an investment manager on their own volition, but the individual trustee would not be considered as being a representative for VCERA.

Mr. Johnston and Mr. Matheney felt that a compromise position was in order whereby trustees should be allowed to make individual due diligence visits if there was a cap on the expense.

Mr. Goulet moved, seconded by Mr. Matheney, to continue approval of the Travel Policy and direct staff to identify a "middle ground" in terms of Board approval of due diligence visits, exempt the Manatt, Phelps & Phillips seminar from counting towards the Board's trip limitation and increase the \$350 cap for trip limitations.

Motion Passed.

Chairman Towner left the meeting and Vice-Chairman Wilson led the balance of the meeting.



**VII. NEW BUSINESS (continued)**

**D. Request for Reinstatement to Active Membership – Glenda Jackson.**

Mr. Goulet moved, seconded by Ms. Becker, to approve the request by Glenda Jackson to return to active membership pursuant to Government Code sections 31680.4 and 31680.5

Motion Passed.

**E. Status Report on Electronic Document Management System Project, Brian Colker, Linea Solutions, Inc.**

Brian Colker from Linea Solutions, Inc. was present to update the Board on VCERA's EDMS project. Mr. Colker reviewed the accomplishments to date on the project including the purchase of the servers to house the software, the completion of the software customization and the ongoing acceptance testing of the software. Mr. Colker also discussed how VCERA planned to accomplish the "back-file" conversion, train staff and accomplish other associated tasks of the project. Mr. Colker informed the Board that the project should be completed by October 20, 2008.

Mr. Goulet and Mr. Matheney questioned the security involved in the handling and storage of these confidential records.

Mr. Colker and staff noted the security precautions in place and contained in the project contracts.

Mr. Johnston questioned how the system will be backed-up and whether plans were made to accomplish a back-up offsite.

Mr. Colker noted the multiple system back-up options currently planned including the offsite plan.

Ms. Becker moved, seconded by Mr. Harris, to receive and file the status report from Linea Solutions, Inc.

Motion Passed.

**VIII. INFORMATIONAL**

- A. Publications (Available in Retirement Office)**
1. Institutional Investor
  2. Pensions and Investments

VIII. INFORMATIONAL (continued)

B. Letter from Trustee Arthur Goulet Reporting on Conferences Attended.

IX. PUBLIC COMMENT

None.

X. BOARD MEMBER COMMENT

Mr. Johnston and Mr. Goulet discussed a future change in the reimbursement rate for appointed members. Mr. Johnston noted the amount has not changed for 20 years and he recommended that a discussion on the subject be started. Mr. Goulet recommended the discussion include reimbursement for all board members attending the meetings.

XI. ADJOURNMENT

There being no further items of business before the Board, Vice-Chairman Wilson adjourned the meeting at 11:05 a.m.

Respectfully submitted,

  
TIM THONIS, Administrator

Approved,



TRACY TOWNER, Chairman