

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

July 1, 2013

AGENDA

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

TIME: 9:00 a.m.

ACTION ON AGENDA: When Deemed to be Appropriate, the Board of Retirement May Take Action on Any and All Items Listed Under Any Category of This Agenda, Including "Correspondence" and "Informational".

ITEM:

- | | Master Page No. |
|--|-----------------|
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| III. <u>APPROVAL OF MINUTES</u> | |
| A. Business Meeting of June 17, 2013. | 5 - 14 |
| IV. <u>PENDING DISABILITY APPLICATION STATUS REPORT</u> | 15 - 59 |
| V. <u>APPLICATIONS FOR DISABILITY RETIREMENT</u> | |
| A. Application for Service Connected Disability Retirement;
Shane W. Zaring, Case No. 13-003. | 60 - 148 |
| 1. Application for Service Connected Disability
Retirement and Supporting Documentation. | |
| 2. Hearing Notice. | |

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

- B. Application for Service Connected Disability Retirement, June Marsh, Case No. 08-015. 149 - 181
1. Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, Submitted by Hearing Officer Kenneth A. Perea, date April 15, 2013.
 2. Respondent's Reply to Recommendation of Hearing Officer, Submitted by Stephen D. Roberson, Attorney at Law, date April 15, 2013.
 3. Applicant's Objection to Recommendation of Hearing Officer, Submitted by June Marsh, Applicant, date April 17, 2013.
 4. Respondent's Response to Applicant's Objection, Submitted by Stephen D. Roberson, Attorney at Law, date April 24, 2013.
 5. Hearing Notice.
- C. Application for Service Connected Disability Retirement, Susan M. Moser, Case No. 11-018. 182 - 220
1. Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, Submitted by Hearing Officer Michael Prihar, date May 5, 2013.
 2. Respondent's Reply to Recommendation of Hearing Officer, Submitted by Stephen D. Roberson, Attorney at Law, date May 13, 2013.
 3. Applicant's Objection to Recommendation of Hearing Officer, Submitted by Timothy M. Ehritt, Attorney at Law, date May 15, 2013.
 4. Respondent's Response to Applicant's Objection, Submitted by Stephen D. Roberson, Attorney at Law, date May 24, 2013.
 5. Hearing Notice.

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

- D. Application for Service Connected Disability Retirement, Patricia A. Gonzales, Case No. 10-035. 221 - 232
1. Supplemental Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, Submitted by Hearing Officer Kenneth A. Perea, date May 21, 2013.
 2. Hearing Notice.
- E. Application for Service Connected Disability Retirement, Crystal L. Litchmore, Case No. 11-023. 233 - 240
1. Petition for Reconsideration, Submitted by Crystal L. Litchmore, date April 26, 2013.
 2. Respondent's Response to Applicant's Objection, Submitted by Marshall W. Graves, Attorney at Law, date May 20, 2013.
 3. Hearing Notice.

VI. OLD BUSINESS

- A. Review of Disability Process Timeline and Discussion of Proposed Modifications. 241 - 254
1. Current Disability Process Timeline Diagram.
 2. 2013 Closed Cases Actual Timelines.
 3. Timeline Recommendations.
 4. Proposed Timeline Comparisons.
- B. Review of the M^{cube} Governance Application Proposal. 255 - 257
1. Proposed Governance Application Fee Schedule.
- C. Review and Approval of Updated Board Policies. 258 - 265
1. Proposed Annual Administrative Budget Policy.
 2. Legislative Markup by Mr. Goulet of the Proposed Annual Administrative Budget Policy.
- D. Receive and File HarbourVest Update. 266

VII. NEW BUSINESS

- | | |
|--|-----------|
| A. Receive Alternative Investment Training | 267 - 284 |
| 1. Presentation: "Prudent Investing in Alternatives:
Trust, but Verify" – Harvey L. Leiderman, Reed
Smith (30 Minutes) | |
| B. Review and Approval of Professional Services Contract
with CMP & Associates, Inc. | 285 - 294 |
| 1. Contract CMP & Associates – Viorica Lawson. | |
| C. Receive and File Fiduciary Liability Insurance Report. | 295 - 300 |
| 1. Fiduciary Liability Quotation and Binder of Insurance | |
| D. Receive and File Conference Report: CALAPRS
Trustees' Roundtable – Trustees Goulet and McCormick. | 301 - 302 |

VIII. PUBLIC COMMENT

IX. BOARD MEMBER COMMENT

X. ADJOURNMENT

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

June 17, 2013

MINUTES

DIRECTORS William W. Wilson, Chair, Public Member
PRESENT: Tracy Towner, Vice Chair, Safety Employee Member
Steven Hintz, Treasurer-Tax Collector
Peter C. Foy, Public Member
Mike Sedell, Public Member
Deanna McCormick, General Employee Member
Tom Johnston, General Employee Member
Arthur E. Goulet, Retiree Member
Chris Johnston, Alternate Employee Member

DIRECTORS Joseph Henderson, Public Member
ABSENT: Will Hoag, Alternate Retiree Member

STAFF Donald C. Kendig, Retirement Administrator
PRESENT: Lori Nemiroff, Assistant County Counsel
Glenda Jackson, Program Assistant

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

TIME: 9:00 a.m.

ITEM:

I. INTRODUCTION OF MEETING

Chairman Wilson called the Business Meeting of June 17, 2013, to order at 9:01 a.m.

II. APPROVAL OF AGENDA

After discussion, the following Motion was made:

MOTION: Mr. T. Johnston moved, seconded by Judge Hintz, to approve the Agenda as amended for noted corrections by HEK to Agenda item 6.C.1. Monthly Manager Report on Master Page No. 106, Agenda item 6.C.2.d. Economic Scenarios on Master Page No. 222, and proposed budget policy revisions submitted by Mr. Goulet for Agenda item 6.C.1.

Motion passed unanimously. Mr. Henderson and Mr. Hoag absent. Mr. Foy absent for this item.

III. APPROVAL OF MINUTES

A. Disability Meeting of June 3, 2013.

Mr. T. Johnston requested the following correction:

Master Page No. 6, item V.A. Application for Service Connected Disability Retirement; Wayne Maynard; Case No. 10-039, "fibulation" should be spelled "fibrillation."

MOTION: Mr. T. Johnston moved, seconded by Mr. Goulet, to approve the Agenda as corrected.

Motion passed unanimously. Mr. Henderson and Mr. Hoag absent. Mr. Foy absent for this item.

Mr. Foy arrived at 9:03 a.m.

IV. CONSENT AGENDA

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

A. Regular and Deferred Retirements and Survivors Continuances for the Month of May 2013.

IV. CONSENT AGENDA (continued)

B. Report of Checks Disbursed in May 2013.

Mr. Goulet inquired about Check Number 022296 in the amount of \$26,931.00 for Pension Payment paid to County of Ventura on Master Page Number 14.

C. Asset Allocation as of May 31, 2013.

D. Statement of Plan Net Assets, Statement of Changes in Plan Net Assets, and Investments & Cash Equivalents for the Month Ended April 30, 2013.

E. Budget Summary – Year to Date as of May 2013, Fiscal-Year 2012-13.

MOTION: Judge Hintz moved, seconded by Mr. T. Johnston, to approve the Consent Agenda.

Motion passed unanimously. Mr. Henderson and Mr. Hoag absent.

Staff was directed to provide more information on Check Number 022296.

END OF CONSENT AGENDA

V. CALPEPRA

A. Receive and File an Update on Pensionable Compensation.

The Chair directed Staff to keep this item on the Business meeting agendas.

After discussion, the following Motion was made:

MOTION: Mr. Goulet moved, seconded by Mr. T. Johnston, to receive and file the Staff memo and the Board Counsel notice.

Motion passed unanimously. Mr. Henderson and Mr. Hoag absent.

VI. INVESTMENT INFORMATION

- A. Annual Investment Presentation, GMO – John Allen and Edmund Bellord. (Teleconference) (30 Minutes).

John Allen was present and John Muir teleconferenced on behalf of GMO to review the firm's organization, investment results for VCERA's accounts, investment process, and outlook.

No Action Taken.

- B. Annual Investment Presentation, The Clifton Group – Justin Henne, CFA and Ben Lazarus. (30 Minutes).

Justin Henne, CFA and Ben Lazarus were present on behalf of The Clifton Group to review the firm's organization, investment results for VCERA's accounts, investment process, and outlook.

No Action Taken.

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

Russ Charvonja announced that he will be leaving Hewitt EnnisKnupp at the end of June.

The Chair stated that he will be missed.

John Lee, Hewitt EnnisKnupp, introduced himself and provided his background information.

1. Monthly Manager Performance Report May 2013.

After discussion, the following Motion was made:

MOTION: Judge Hintz moved, seconded by Mr. Goulet, to receive and file the Monthly Manager Performance Report May 2013.

Motion passed unanimously. Mr. Henderson and Mr. Hoag absent.

2. Highlights and Research, June 2013.

- a. Investment Structure Review Discussion.

After discussion, the following Motion was made:

MOTION: Judge Hintz moved, seconded by Mr. Goulet, to terminate the agreement with Walter Scott and transfer Walter Scott funds to Hexavest.

VI. INVESTMENT INFORMATION (continued)

C. Hewitt EnnisKnupp, Russ Charvonia, ChFC, CFP, Esq. and Kevin Chen (continued).

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

Motion failed with Mr. T. Johnston, Mr. Sedell, Mr. Towner and Mr. Wilson voting no. Mr. Foy, Judge Hintz, and Mr. Goulet voting yes. Ms. McCormick abstaining. Mr. Henderson and Mr. Hoag absent.

After further discussion, the following Motion was made:

MOTION: Mr. Goulet moved, seconded by Ms. McCormick, to give Western Asset the opportunity to present a proposal to VCERA at the July 15 Business meeting to inform VCERA what they would propose under an unconstrained mandate and how much the fee would be, and at that time, the Board will reconsider the retention or consolidation of Western's bond fund allocation.

Motion passed unanimously. Mr. Henderson and Mr. Hoag absent.

b. Board Retreat Agenda.

HEK discussed Board Retreat options with the default topics being Infrastructure/Water, Opportunistic Buckets, San Diego Alpha Engine, and Small Cap Exposure.

- c. August Due Diligence.
- d. Economic Scenarios.
- e. Capital Market Assumptions.
- f. Medium Term Views.
- g. HEK Client Webcast and Blog.

After further discussion, the following Motion was made:

MOTION: Judge Hintz moved, seconded by Mr. T. Johnson, to receive and file the Highlights and Research June 2013 Report.

Motion passed unanimously. Mr. Henderson and Mr. Hoag absent.

VI. INVESTMENT INFORMATION (continued)

D. Adams Street Legal Review Report.

1. Adams Street Public Summary and Comments – Manatt.

After discussion, the following Motion was made:

MOTION: Mr. Towner moved, seconded by Ms. McCormick, to adopt the recommendations of staff and directed legal counsel of Manatt to follow up on the request for fee reporting and authorized the Chair to execute the legal documents for the \$75million allocation.

Motion passed unanimously. Mr. Henderson and Mr. Hoag absent.

- E. Authorize Chair to Execute Loomis Sayles Strategic Alpha NHIT Subscription Agreement, and any Other Documents Necessary, for Funding by Month End.

After discussion, the following Motion was made:

MOTION: Judge Hintz moved, seconded by Mr. T. Johnston, to authorize the Chair to execute the subscription agreement and any other documents required to effectuate the transfer.

Motion passed unanimously. Mr. Henderson and Mr. Hoag absent.

VIII. NEW BUSINESS

- A. Authorize Ad Hoc RFP Committee Members to Conduct Due Diligence Site Visits.

After discussion, the following Motion was made:

MOTION: Mr. Towner moved, seconded by Mr. T. Johnston, to authorize the Ad Hoc RFP Committee and select staff members to conduct due diligence site visits of the home offices of the preliminary finalists as well as any California offices the Committee believes to be necessary.

Motion passed unanimously. Mr. Henderson and Mr. Hoag absent.

VIII. NEW BUSINESS (continued)

B. Review and Approval of Contract for Annette Paladino.

1. Contract – Annette Paladino.

After discussion, the following Motion was made:

MOTION: Mr. Goulet moved, seconded by Mr. T. Johnston, to approve the contract for Annette Paladino.

Motion passed unanimously. Mr. Henderson and Mr. Hoag absent.

C. Review and Approval of Hearing Officers and Hearing Officer Contract Template.

After discussion, the following Motion was made:

MOTION: Mr. Goulet moved, seconded by Ms. McCormick, to approve the hearing officer line-up, authorized the Retirement Administrator to execute the proposed contract template, and directed staff to conduct a hearing officer search.

Motion passed unanimously. Mr. Henderson and Mr. Hoag absent.

D. Conference Report: Adams Street Client Conference – Trustee Towner.

After discussion, the following Motion was made:

MOTION: Mr. Goulet moved, seconded by Mr. T. Johnston, to receive and file the conference report by Trustee Towner.

Motion passed unanimously. Mr. Henderson and Mr. Hoag absent.

Mr. Foy and Mr. Sedell left the meeting at 11:57 a.m.

VII. OLD BUSINESS

A. Disability Retirement Process Review and Educational Presentation (Part III). (30 minutes)

1. Receive the Disability Retirement Process Review and Educational Presentation – Hearings and Hearing Officers.

Annette Paladino provided a presentation on hearings and hearing officers.

Heard public comment from Chuck Pode and Stephen D. Roberson, County of Ventura Risk Management.

The Board had a lengthy discussion with Ms. Paladino and staff.

No action taken.

2. Review and Approval of the Hearing Officer Information Packet.

Heard public comment from Chuck Pode and Stephen D. Roberson, County of Ventura Risk Management.

See item 3 for Board action.

Judge Hintz left the meeting at 1:26 p.m.

3. Review and Approval of the Hearing Officer Evaluation Kit.

After discussion with reference to Agenda items VII.A.2. and VII.A.3., the following Motion was made:

MOTION: Mr. Goulet moved, seconded by Mr. T. Johnston, to receive and file the hearing officer information packet and hearing officer evaluation kit and directed staff to return to the Board at a future date with specific recommendations.

Motion passed unanimously. Mr. Foy, Judge Hintz and Mr. Sedell absent for this item. Mr. Henderson and Mr. Hoag absent.

Mr. C. Johnston asked staff who strikes more hearing officers and staff indicated they would investigate.

VII. OLD BUSINESS (continued)

B. Receive and File FY 2013-14 Adopted Budget.

After discussion, the following Motion was made:

MOTION: Mr. Goulet moved, seconded by Mr. T. Johnston, to receive and file the FY 2013-14 Adopted Budget.

Motion passed unanimously. Mr. Foy, Judge Hintz and Mr. Sedell absent for this item. Mr. Henderson and Mr. Hoag absent.

C. Review and Approval of Updated Board Policies.

1. Annual Administrative Budget Policy and Previous Limitation on Annual Administrative Budget Policy.
2. Education and Travel Policy.
3. Conflict of Interest Code Policy.
4. Trustee Communications Policy.

After discussion, the following Motion was made:

MOTION: Mr. Goulet moved, seconded by Mr. T. Johnston, to continue item C.1. to the next Business meeting and approve items C.2. through C.4., adding Board Counsel as a Category One filer to item C.3. Conflict of Interest Code Policy.

Motion passed unanimously. Mr. Foy, Judge Hintz and Mr. Sedell absent for this item. Mr. Henderson and Mr. Hoag absent.

IX. PUBLIC COMMENT

The Retirement Administrator reported that Check Number 022296, on Agenda item IV.B., in the amount of \$26,931.00 payable to the County of Ventura, was to repay the County of Ventura advanced disability payments to Noel Q. San Jose per Section 4850.4 of the Labor Code.

The Retirement Administrator thanked the Board for new photos taken last meeting to be updated online after individual trustee review and requested trustees turn in profile information for posting on VCERA's website.

X. BOARD MEMBER COMMENT

None.

XI. ADJOURNMENT

The meeting was adjourned at 1:32 p.m.

Respectfully submitted,



DONALD C. KENDIG, Retirement Administrator

Approved,

WILLIAM W. WILSON, Chairman

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
<http://www.ventura.org/vcera>

July 1, 2013

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

SUBJECT: DISABILITY RETIREMENT PROCESS REVIEW AND EDUCATIONAL PRESENTATION (PART IV)

Dear Board Members:

Background

This is part IV of a multi-part review and educational effort to enhance the quality of the VCERA disability retirement process. On April 1, 2013, June 3, 2013, and June 17, 2013, VCERA's consultant, Annette Paladino, addressed your Board with PowerPoint presentations on the elements of a strong disability program, the CERL disability legal standards, and the role of hearings and hearing officers. She made recommendations for revisions to the application packet, letters to examining physicians, and Board letter format, and for implementing pre-hearing planning and hearing officer selection/evaluation procedures.

On June 3, 2013, the Board adopted 1) an updated disability application packet, with comprehensive instructions, for posting on-line and which incorporates electronically fillable form fields, 2) a cover letter template for requests to doctors for Independent Medical Evaluations (IME's) and 3) a Board letter template for Risk Management's use. On June 17, 2013, the Board received and filed an orientation and information kit for new hearing officers outlining duties, responsibilities and a suggested report outline as well as a proposed hearing officer evaluation process, and directed staff to return to the Board at a future date with specific recommendations.

Discussion

Today, Ms. Paladino will 1) review the ground covered, 2) discuss the current disability procedures timeline, 3) make recommendations for revising the current disability procedures timeline, and 4) highlight the final steps of the disability process review for September.

1. Recap of Ground Covered

Presentations

- Presented Disability Retirement 101 PowerPoint on the basics
- Presented Disability Retirement 101 PowerPoint on the legal standards
- Presented Disability Retirement 101 PowerPoint on hearings and hearing officers

DISABILITY RETIREMENT PROCESS REVIEW AND EDUCATIONAL PRESENTATION (PART IV)

July 1, 2013

Page 2 of 3

Documentation

- Disability Retirement Application Packet
- Independent Medical Examination (IME) Cover Letter Template
- Board Report Template for use by Risk Management
- Hearing Officer Information Packet
- Hearing Officer Evaluation Kit

2. Discussion of current disability procedures timeline

Documentation

- Current Disability Procedures Timeline diagrams (attachment 1)
- 2013 Closed Cases Actual Timeline spreadsheet (attachment 2)

Item: Current Disability Timeline diagram: This is a pictorial explanation of the current timelines as described in the current VCERA Disability Hearing Procedures. The diagram shows timelines for disposition of both a “contested” and “non-contested” application. The timeline for resolution of a “contested” application is much longer because of the inclusion of an evidentiary hearing. Timeline ranges are difficult to capture because of the variability of number of granted extensions and the duration of extensions.

Recommended Board Action: Receive and file document

Item: 2013 Closed Cases Timeline spreadsheet: This is documentation of actual timelines in the 20 disability cases that were resolved in 2013. It compares required timelines and actual timelines, actual timelines of contested and non-contested cases, segments of total timeline and shows average timelines.

Recommended Board Action: Receive and file document

3. Recommendations for revising current timelines

Documentation:

- Disability Retirement Procedures Timeline Recommendations (attachment 3)
- Current Disability Procedures Timeline diagrams compared to Proposed Disability Procedure Time diagrams (attachment 4)

Item: Disability Timeline Procedures Suggestions: In attachment 3, Ms. Paladino provides suggestions for adjusting the current disability procedures timelines. She recommends lengthening the investigation timeline in the early portion of the process in order to avoid lengthy delays later during the hearing period. Recommendations for shortening the timeline include elimination of the 120 days timeline for applicant to submit additional documentation, reducing time for applicant to retain counsel, eliminating the option to strike a hearing officer, setting a procedure for monitoring hearing continuances, shortening the time in which a hearing officer must produce his/her report and recommendation and implementing a deadline by which the employer must provide the Board with the Medical Analysis and recommendation for uncontested applications.

DISABILITY RETIREMENT PROCESS REVIEW AND EDUCATIONAL PRESENTATION (PART IV)

July 1, 2013

Page 3 of 3

As part of the Board's review of the suggestions, it is important to note the suggestion dependencies. Recommendations 1, 2 and 7 are best considered and implemented together. The other recommendations 3, 4, 5, & 6 could be implemented independently of the others for incremental changes.

Attachment 4 compares the current process timelines with the proposed process timeline based on the implementation of all 7 suggestions. Given the current case log, and in all fairness to Risk Management, staff recommends that if the suggestions are approved for incorporation into the proposed disability hearing procedures, that there be a transition period for the new procedures in order to prevent any untenable bunching up of cases. The simplest method could be to apply the new procedures, or at least the time limits, to new cases filed after the adoption of revised hearing procedures.

You will also notice that the 270 day recommendation would lengthen the average period for finalizing non-challenge cases, but provides Risk Management with the time it needs up front to perform its investigation and analysis. This was chosen with an abundance of consideration for Risk Management, but could be shortened by as many as 90 days, but not without an alternative path, not pictured in the timeline diagrams. Many of the delays, up front, involve the inability to determine permanency. In addition to the two present options of "Oppose" or "Not Oppose" by Risk Management, Ms. Paladino and staff recommend a third, "Dismiss without Prejudice" and Ms. Paladino will discuss this option further during her presentation, providing the potential for a shorter average process timeline, and an alternative for disabilities that are not ready for the process.

Recommended Board Action: Consider, discuss and provide direction on each suggestion for later incorporation into the VCERA Disability Hearing Procedures.

4. Final Steps in the Disability Process Review

We will continue on September 9, at the Disability Board meeting, with Ms. Paladino's comprehensive final report consolidating previous recommendations (and Board actions) and additional recommendations for improving the VCERA disability retirement program. We will conclude on September 16, at the Business Board meeting, with a presentation of the revised "VCERA Disability Retirement Hearing Procedures" incorporating all of the Board-approved procedural changes.

Annette and I would be pleased to respond to any questions you may have on this matter.

Sincerely,

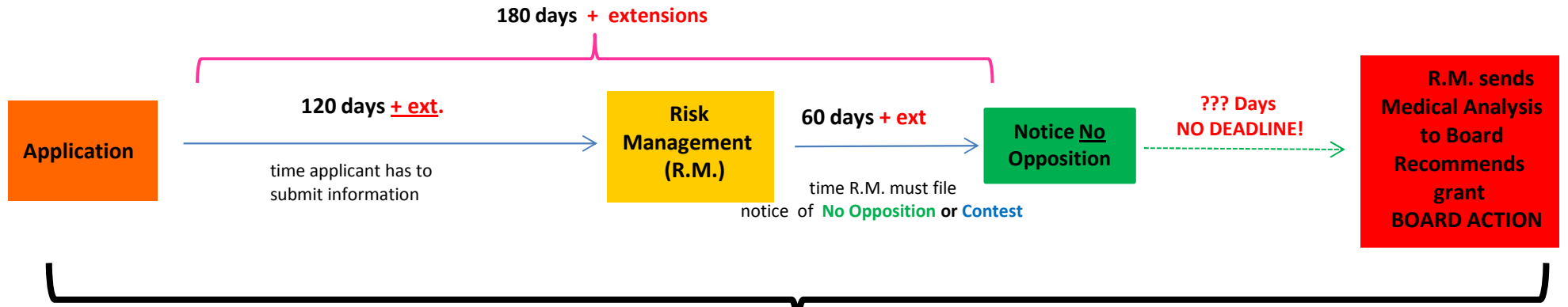


Donald C. Kendig, CPA
Retirement Administrator

Attachments (4)

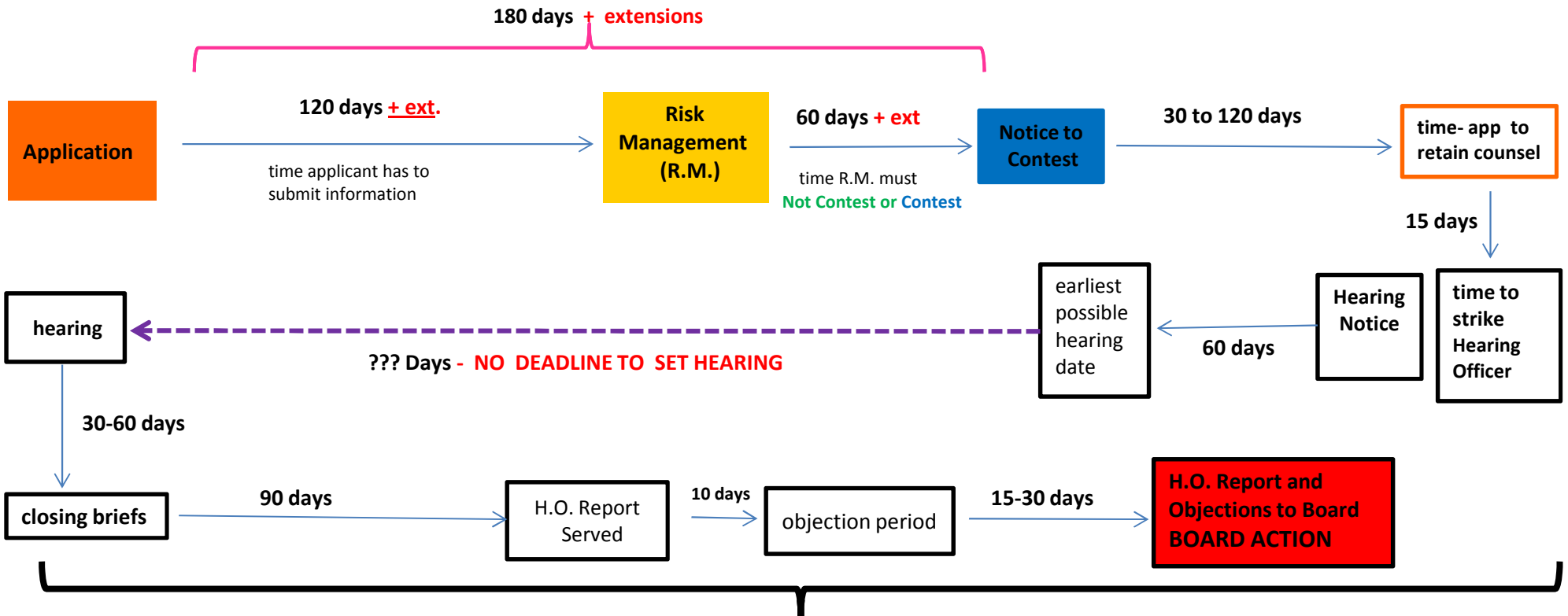
CURRENT DISABILITY PROCEDURES TIMELINE

(Attachment 1)



Range = 210 days to ???
Depends on number and duration of extensions

OR



Range = minimum 490 days to ??? 16 to ??? months - Depends on hearing date and number and duration of continuances

2013 CLOSED CASES TIMELINE

(Attachment 2)

Applic. Name	Application date	Applic. file supp.inform	120+	R.M.position filed	60+	R.M. Med analysis	30+	App. retain counsel	Hearing date	C→F days	E→F days	15+ 60	Final action date	Final action	Type	A→G days	A→G months
			A→B days		B→C days		C→E days					E→F - 75					
		A	B	C	D	E	F	G									
Bowman	6/10/2010	10/10/2010	122	12/6/2010	57		0	12/6/2010	10/4/2011	302	302	227	1/5/2012	deny	scd	574	19
Devera	6/26/2012	12/26/2012	183	2/27/2013	63	4/24/2013							5/6/2013	grant	nscd	314	10
Dickens	9/30/2011	10/14/2011	14	12/19/2011	66		64	2/21/2012	7/23/2012	217	153	78	10/1/2012	grant	nscd	367	12
Dorn	8/7/2012	2/11/2013	188										2/11/2013	WD	scd	188	6
Furman	4/3/2009	4/3/2009	0	12/3/2009	244		32	1/4/2010	5/26/2013	1270	1238	1163	5/16/2013	WD	scd	1504	50
Goe	5/23/2012	7/24/2012	62	11/27/2012	126	1/24/2013							2/4/2013	grant	nscd	257	8
Guerro	10/18/2010	10/18/2010	0	12/22/2010	65		54	2/14/2011	3/20/2012	454	400	325	10/1/2012	deny	scd	714	23
Kennedy	9/12/2012	11/7/2012	56	1/8/2013	62	3/12/2013							4/1/2013	grant	nscd	201	6
Koevenig	6/6/2011	6/6/2011	0	8/5/2011	60		32	9/6/2011	6/19/2012	319	287	212	12/3/2012	deny	scd	546	18
Lajom	4/3/2012	11/7/2012	218										1/7/2013	WD	scd	279	9
Lengyel	6/11/2012	11/11/2012	153	2/7/2013	88	4/19/2013							5/6/2013	grant	scd	329	10
Martinez	11/5/2012	11/5/2012	0	1/14/2013	70	4/4/2013							5/6/2013	grant	scd	182	6
Murray	3/29/2012	3/29/2012	0	11/30/2012	246	1/24/2013							2/4/2013	grant	nscd	312	10
Ortega	1/4/2011	5/4/2011	120	11/14/2011	194		32	12/16/2011	6/18/2012	217	185	110	10/1/2012	grant	nscd	636	21
Quiarte	8/9/2010	8/9/2010	0	10/12/2010	64		27	11/8/2010	6/20/2012	617	590	515	12/3/2012	grant	scd	847	28
Robles	8/9/2012	8/9/2012	0	10/15/2012	67								2/15/2013	WD	scd	190	6
SanJose	8/7/2012	8/7/2012	0	12/19/2012	134	3/14/13							4/1/2013	grant	scd	237	7
Sanchez	4/24/2009	10/23/2009	182	6/22/2010	242		91	9/21/2010	8/30/2011	434	343	268	11/5/2012	deny	scd	1291	43
Smith	8/23/2010	3/6/2011	195	11/10/2011	249		111	2/29/2012	1/29/2013	446	335	260	1/16/2013	WD	scd	877	29
Wolfe	4/2/2012	4/2/2012	0	12/5/2012	247	3/7/2013							4/1/2013	grant	scd	364	12
averages (no zeros)			136		130		55			475	426	350				510	16.65

average, if hearing set 817 27

DISABILITY RETIREMENT PROCEDURES TIMELINE RECOMMENDATIONS

DISABILITY RETIREMENT PROCEDURES	
TIMELINES	
RECOMMENDATION 1	Eliminate the 120 day period for the applicant to submit additional documentation in support of his/her application.
CURRENT STATUS	Currently, the applicant is given a 120 day period in which to submit additional materials in support of his/her application for disability benefits, and the applicant may request a reasonable extension(s) of the time period. Also, the applicant may submit a written waiver of any or all of the time for submitting additional documentation. The time period for the employer (Risk Management) to file a position on an application is measured from the expiration of the 120 day period (minus waived time, plus granted extensions).
FACTORS IN SUPPORT OF RECOMMENDATION	<ul style="list-style-type: none"> • The 120 day time period is unnecessary as the applicant actually has the right to submit additional documentation in support of the application at any time up until the evidence exchange deadline for the hearing. • In practice, applicants frequently request and are granted extensions of this deadline that lengthen the time for the employer to state a position and protract the investigation period. • In practice, the timeline in which the employer usually states a position on the application appears to be dependent on other factors, such as developments in the Workers' Compensation case, rather than on the applicant submitting additional documentation.
DISCUSSION	Eliminating the 120 day period will not prejudice the applicant or the employer and will fulfill the Board's fiduciary duty to promptly deliver benefits to which the member is entitled.

DISABILITY RETIREMENT PROCEDURES	
TIMELINES	
RECOMMENDATION 2	Allow the employer (Risk Management) a timeline of up to 270 days (9 months), with one 30 day extension (1 month) , if necessary) from receipt of a completed application to file a Notice of Position (Oppose or Not Oppose).
CURRENT STATUS	Currently, the employer has 60 days from notification of the expiration of the time period for the applicant to submit additional documentation to state a position on the application. The employer may request a reasonable extension(s) of the 60 day period. The employer’s actual investigation time currently amounts to 180+ days (120+ plus 60+ days) about 6-8 months
FACTORS IN SUPPORT OF RECOMMENDATION	<ul style="list-style-type: none"> • In practice, the employer frequently requests an extension of the 60 day timeline to complete investigation of the application. • In practice, the employer frequently either requests a distant hearing date or a lengthy continuance of a hearing (or both) in order to complete investigation of the application/discovery, particularly to wait for completion of some event in the applicant’s Workers’ Compensation case. Such delay protracts the hearing timeline. • Currently, hearings are set so far out that evidence may become “stale”.
DISCUSSION	In the context of the present circumstances where Workers’ Compensation case events greatly impact the employer’s ability to state a position on a disability retirement application, it may make sense for the Board to consider <u>lengthening the employer’s deadline early in the investigation process</u> to avoid subsequent lengthy delays of the hearing process. Once a hearing is requested, lengthy delays in setting a date and going forward may prejudice the member’s due process rights. Allowing the employer more time earlier to investigate - engage in the “interactive process” with their employee, obtain Workers’ Compensation medical exams and reports (though not directly pertinent to the disability retirement inquiry), etc prior to taking a position on an application will allow the employer to be better prepared for hearing earlier. Efforts to avoid delay and shorten the hearing timeline fulfill the Board’s duty of care to its member and to promptly deliver benefits to which the member is entitled.

DISABILITY RETIREMENT PROCEDURES	
TIMELINES	
RECOMMENDATION 3	Reduce the time for an applicant to retain counsel from 30 days plus 3 extensions to 30 days plus one 15-day extension.
CURRENT STATUS	Currently, the applicant has 30 days from receipt of notice to retain legal representation for the hearing. The applicant may request up to 3 continuances of 30 days each to retain counsel.
FACTORS IN SUPPORT OF RECOMMENDATION	<ul style="list-style-type: none"> • In practice, the applicant frequently requests an extension of time to retain counsel which protracts the hearing timeline. • Currently, applicant actually has additional time beyond the initial 30 days to retain counsel since a hearing cannot be set earlier than 60 days after receipt of Notice of Hearing and hearings are generally set 90 or more days from receipt of notice. • Applicants are counseled to consult with an attorney early in the process to avoid late representation in the event a hearing becomes necessary. • Delays in obtaining applicant counsel may cause costly continuances.
DISCUSSION	The time period of 30 days plus a 15 day extension (45) provides very reasonable time for an applicant to retain counsel, and adequately fulfills the Board’s fiduciary duty of care to the member. Also, the expiration of the proposed 45 day period does not prejudice the applicant because they have additional time to retain counsel during the 60 day period prior to the earliest possible hearing date.

DISABILITY RETIREMENT PROCEDURES	
-TIMELINES	
RECOMMENDATION 4	Eliminate the 15 day period in which a party may disqualify a potential hearing officer.
CURRENT STATUS	Currently, the applicant and the County have 15 days from receipt of Notice of Hearing Officer Assignment to file a Petition for Reassignment eliminating a potential hearing officer. Each party has the right to file only 1 petition.
FACTORS IN SUPPORT OF RECOMMENDATION	<ul style="list-style-type: none"> • Currently, the procedure to allow the parties to strike a potential hearing officer lengthens the hearing timeline, albeit for the relatively short delay of 15 days. • -The mutual selection of hearing officers is not required by administrative law. • Unilateral selection of hearing officers by the granting board or commission is not a due process violation. <p><i>Linney v. Turpin, (1996) 42 Cal.App.4th 763; McIntyre v SBCERS (2001) 91 Cal. App. 4th 730</i></p>
DISCUSSION	The Board may consider eliminating this procedure without prejudicing the rights of the parties. The procedure does not present a significant delay of the timeline, but does prevent full use of entire Hearing Officer panel and may potentially eliminate some strong hearing officers. If the Board adopts this recommendation, the Board may wish to also implement a Hearing Officer Evaluation Program to monitor the job performance of panel members to insure that each member is eminently qualified and skilled to hear disability retirement cases.

DISABILITY RETIREMENT PROCEDURES	
-TIMELINES	
RECOMMENDATION 5	Implement a deadline from receipt of Notice of Hearing by which an evidentiary hearing must take place and on which the assigned Hearing Officer’s jurisdiction over the matter ends.
CURRENT STATUS	There is no deadline by which matters assigned to a hearing officer must be heard.
FACTORS IN SUPPORT OF RECOMMENDATION	<ul style="list-style-type: none"> • Matters are heard on a date selected by the parties and the hearing officer, with no limits on how far into the future the matter may be scheduled. • Based on the 2013 Closed Case Status Report, hearings were set an average of 10.5 months from receipt of Notice of Hearing.
DISCUSSION	<p>The Board may wish to consider a procedure to place limits on when a matter scheduled for hearing must be heard. The Board may wish to consider procedures that directly educate the Board as to the specific sources of hearing delay and require board action. A suggested procedure follows:</p> <p>-A Hearing Officer appointed to hear a matter shall set a hearing date that is no more than 120 days (4 months) from receipt of the Notice of Hearing. If the Hearing Officer determines that a hearing cannot reasonably be set within the 120 day period, the Hearing Officer shall file with the Retirement Office, for placement on the Board agenda, a written request for an extension of time to hear the matter, along with an explanation of the circumstances necessitating the extension. The Board will then consider the stated reasons for the request and shall decide whether to grant an extension and will determine the length of a granted extension. If the Board denies the request for a continuance, the Board may also take further action such as assign a new hearing officer if the requested continuance is due to the hearing officer’s schedule, instruct the Hearing Officer to consider additional dates within the 120 day period including Saturdays, Sundays, holidays, partial days, or take any action the Board deems appropriate.</p>

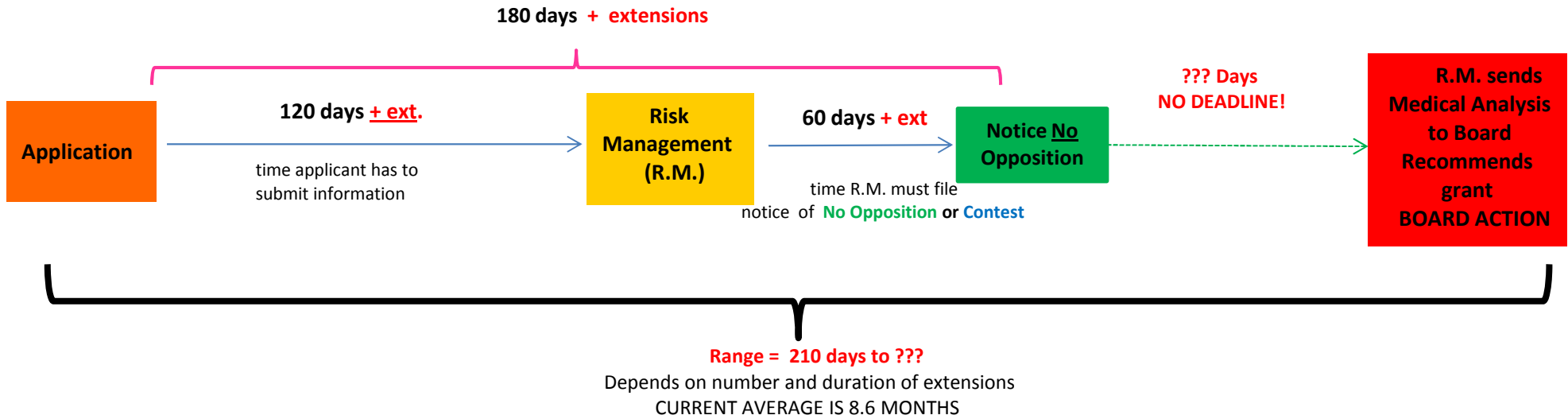
DISABILITY RETIREMENT PROCEDURES

-TIMELINES

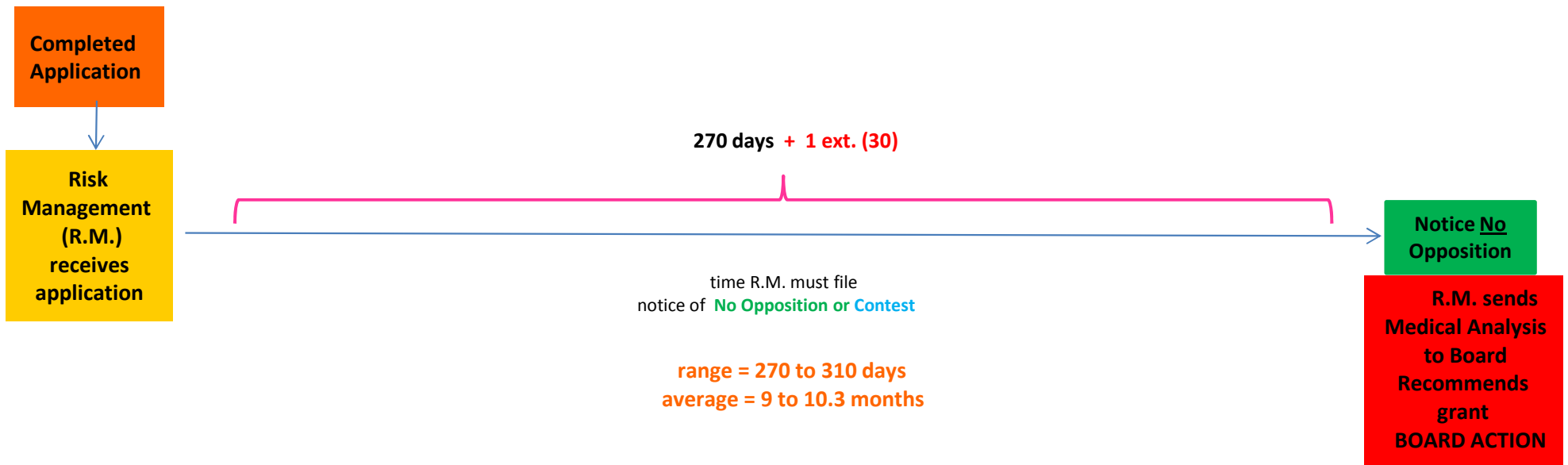
RECOMMENDATION 6	Reduce the time a hearing Officer has to produce his/her report from 90 days to 60 days.
CURRENT STATUS	Hearing Officers have 90 days from the end of the closing brief period to produce their "Findings of Fact, Conclusions of Law and Recommended Decision" written report.
FACTORS IN SUPPORT OF RECOMMENDATION	The 90 day time period lengthens the time period from the evidentiary hearing to the final Board action.
DISCUSSION	60 days to evaluate evidence and draft a written report is reasonable. The Board may wish to shorten the current 90-day period so as to receive the recommended decision in closer proximity to the actual hearing. Shortening the timeline to final Board action fulfills the Board's fiduciary duty to promptly deliver benefits to which the member is entitled.

DISABILITY RETIREMENT PROCEDURES	
-TIMELINES	
RECOMMENDATION 7	<p>Implement a timeline, following the filing of a “Notice of No Opposition”, by which the employer must place the application on the Board agenda, with the required Medical Analysis and recommendation to grant. Suggestions:</p> <ul style="list-style-type: none"> • On the same date of filing a Notice of No Opposition, the employer must also file a Medical Analysis document for placement on the next Board agenda, or • After filing a Notice of No Opposition, the employer must file a Medical Analysis within 30 days of the “Notice” date for placement on the next Board agenda.
CURRENT STATUS	<p>After notifying VCERA that the employer will not oppose a disability application, there is no deadline for the employer to place the application and the required Medical Analysis on the Board’s agenda for action.</p>
FACTORS IN SUPPORT OF RECOMMENDATION	<ul style="list-style-type: none"> • Status report entries document frequent delay in bringing non-contested applications to the Board. • Implementing a complete timeline for the efficient processing of non-contested applications would parallel recognition of the need for timelines in the current procedures for processing contested applications.
DISCUSSION	<p>Implementing a timeline for bringing uncontested applications to the Board for action, fulfils the Board’s fiduciary duty to promptly deliver benefits to which the member is entitled.</p>

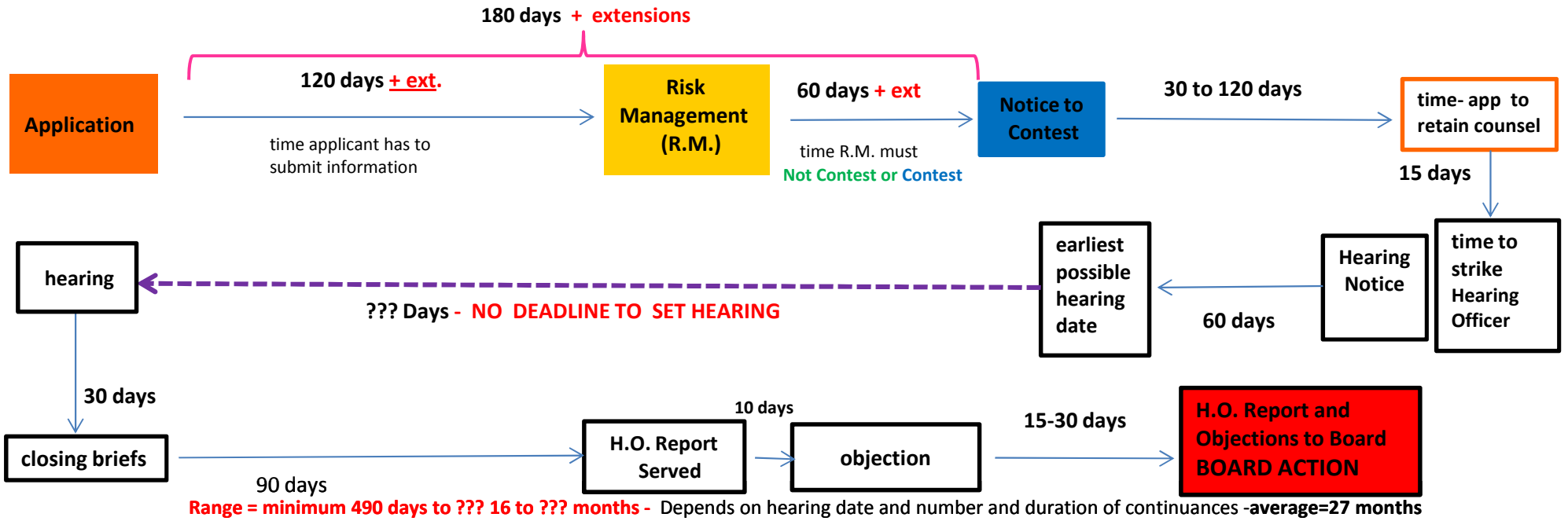
DISABILITY PROCEDURES - CURRENT TIMELINE - Uncontested Application (Attachment 4)



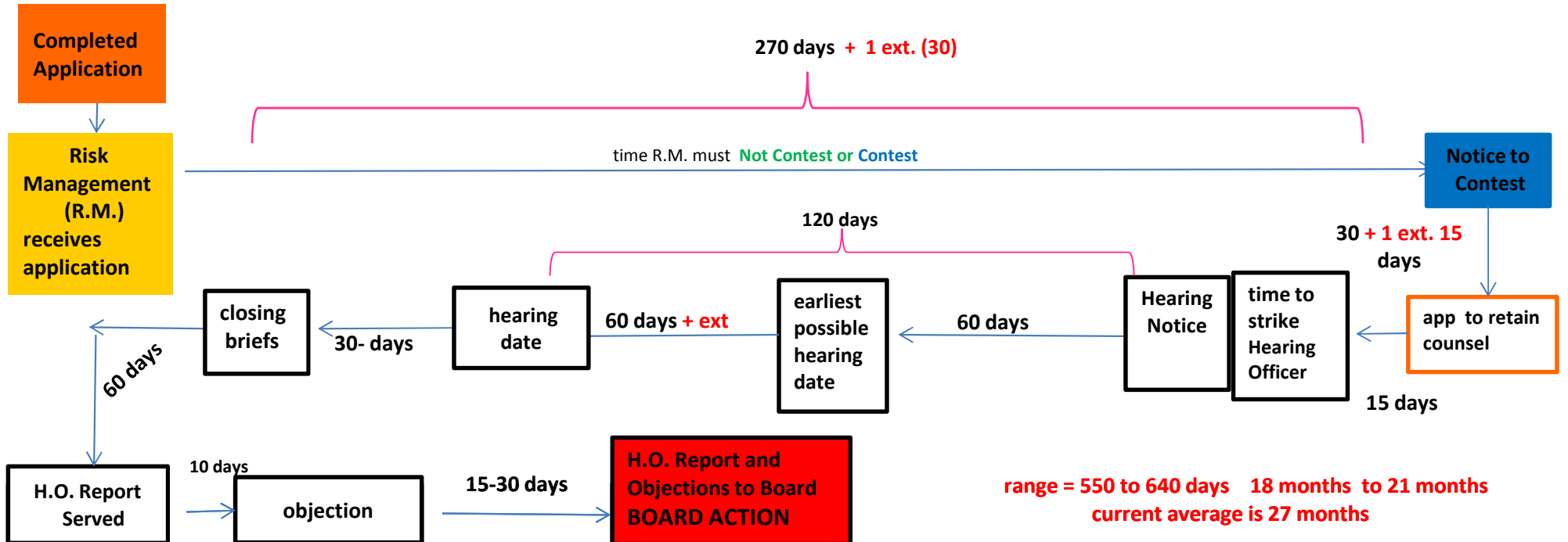
DISABILITIES PROCEDURES - RECOMMENDED TIMELINE - Uncontested Application



DISABILITIES PROCEDURES - CURRENT TIMELINE - Contested Application - Attachment 4 (con't)



DISABILITIES PROCEDURES - RECOMMENDED TIMELINE - Contested Application



VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
<http://www.ventura.org/vcera>

July 1, 2013

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

SUBJECT: REVIEW OF THE M^{CUBE} GOVERNANCE APPLICATION PROPOSAL

Dear Board Members:

Background and Discussion

On March 4, 2013, your Board received a presentation from Scott Carcillo, CEO of M^{cube}, who presented an overview of its investment governance application with VCERA-specific data for quarters three and four of 2012. After discussion, M^{cube} agreed to provide a 120-day trial review of the application to all interested trustees and staff, and the Board directed the Ad Hoc RFP committee, charged with the investment consultant search, to incorporate into the request for proposal, data requirements similar to what was presented in the demonstration.

The Ad Hoc RFP Committee will be reviewing finalist risk reporting options during its site visits and the 120-day review period for the M^{cube} application will come to an end July 1, 2013. Usage was reported as follows for the four months:

Sr. No	last name	Report Start	Report End	Login count	Distinct Login Days
1	Goulet	14-Feb-13	21-Jun-13	3	2
2	Wilson	14-Feb-13	21-Jun-13	6	5
3	Johnston	14-Feb-13	21-Jun-13	16	7
4	McCormick	14-Feb-13	21-Jun-13	4	3
5	Downey	14-Feb-13	21-Jun-13	2	1
6	Solis	14-Feb-13	21-Jun-13	8	3
7	Johnston	14-Feb-13	21-Jun-13	35	12
8	Towner	14-Feb-13	21-Jun-13	14	6
9	Hoag	14-Feb-13	21-Jun-13	8	2

Staff is aware that Mr. Carcillo is no longer with M^{cube} and Sanjay (who has covered SBCERA, SDCERA, SJCERA and CalPERS clients) will be taking over from Scott. Sanjay has provided the attached proposed fee schedule for your review.

REVIEW OF THE M^{CUBE} GOVERNANCE APPLICATION

July 1, 2013

Page 2 of 2

Excluding the one-time \$10,000 set up, at a minimum it would cost \$105,000 a year for five users with quarterly data management (reporting); however, to add all Board members (11), Board Counsel (1), Staff (2), and Investment Consultants (2), the annual cost would be \$126,000, and to provide monthly data reporting \$131,000. Along similar lines, staff and Russ Charvonia, of Hewitt EnnisKnupp, met with Ryse, Inc., regarding a similar risk reporting tool that costs from \$100,000 to \$150,000 annually and would result in recommendations to reposition the fund portfolio based on risk concentrations. It has a more back office design for Investment Employee use, but Ryse offers the data analytics providing end user reports for Board consumption. I understand a number of vendors, including our custodian, and at least one of the Investment Consultant Search Participants could provide us with similar risk reporting services.

If there is not a strong desire to utilize the application, staff recommends thanking M^{cube} for the demonstration period and discontinuing consideration of the M^{cube} application at this time. Once a review of the investment consultant finalists are complete and risk reporting options from our investment consultant have been fully vetted, the Board could reconsider the M^{cube} application to fill any risk or governance monitoring and reporting gaps that remain.

I would be pleased to respond to any questions you may have on this matter and welcome any Board direction.

Sincerely,



Donald C. Kendig, CPA
Retirement Administrator

Attachments (1)

Dashboard Fees Schedule

Description of Services	Fees	Payment Terms
One-time Customization and Set Up Fee	\$10,000 one time	Payable on Effective Date
Site License	\$25,000/year for site license (includes 5 user licenses)	Payable quarterly in advance beginning on the Effective Date, with the first payable being pro-rated for the remaining period in the current calendar quarter. Subsequent quarters after the initial billing period will be payable quarterly in advance on calendar based quarters
User License Fee	First 5 users included in Site License (at no additional fee) Next 10 users: 2,000/year per user Users above 15 users: \$1,000/year per user	Payable quarterly in advance. Additional fees for users added during the quarter will be billed as added in arrears.
Matching Web site and PC based access Fee	\$5,000/year	Payable quarterly in advance.
Data Management Fee	Quarterly Data - \$5,000 per year Monthly Data - \$10,000 per year	Payable quarterly in advance.
Annual Inflation Clause	Annual inflation of 5% per year on annual fees above, starting 4 full quarters after the Effective Date.	
Additional Panels and Customization	To be quoted on a case-by-case basis. Use a rough estimate of \$5,000 per panel	Payable along with the subsequent quarterly invoice

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July 1, 2013

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

SUBJECT: REVIEW AND APPROVAL OF UPDATED BOARD POLICIES

Dear Board Members:

Background and Discussion

On April 1, 2013, your Board reviewed the first of a series of policy updates and on May 6, 2013, your Board adopted the first of a series of policy updates. On June 17, 2013 your Board reviewed the second series of policy updates, adopting all but the proposed *Annual Administrative Budget* policy. This policy was continued to allow time for the Board to review Trustee Goulet's edits and corrections. Today, staff asks that you review and adopt the updated proposed *Annual Administrative Budget* policy.

Annual Administrative Budget Policy

Staff provided the legacy policy on June 17, 2013 and a proposed rewrite. At that time, Trustee Goulet provided substantial changes and correction to the rewrite, and his changes are the second attachment in legislative mark-up format to staff's initial proposal. The final proposed policy is the first attachment for your review, or further modification, and adoption.

Conclusion

Please adopt the updated proposed *Annual Administrative Budget* policy as presented or as modified for additional changes. Additional policies that need to be brought current will be presented to the Board during the next several meetings.

I welcome any additional proposed changes and would be pleased to respond to any questions you may have on this matter.

Sincerely,



Donald C. Kendig, CPA
Retirement Administrator

Attachments (2)

A model of excellence for public pension plans around the World.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

ANNUAL ADMINISTRATIVE BUDGET POLICY

I. Background and Objectives

- 1) The purpose of this Annual Administrative Budget Policy is to establish the process by which the annual administrative budget of the Ventura County Employees' Retirement Association (VCERA) is presented to, deliberated upon, and approved by the Board of Retirement (Board).
- 2) The primary objectives of this policy are to:
 - a) To provide the Retirement Administrator and the Board with a clear process for establishing its annual administrative budget.
 - b) To ensure that the budget is presented and adopted in a timely manner to avoid problems transitioning from one fiscal year to the next.

II. Principles and Assumptions

- 3) Sections 31522.1 and 31522.2 of the California Government Code authorize the Board to appoint the personnel necessary to administer the VCERA.
- 4) Section 31580.2 of the California Government Code provides when such personnel have been appointed, the Board shall adopt an annual budget covering the entire expense of administration of the retirement system.
- 5) Section 31580.2 of the California Government Code also provides that the entire expense of administration shall be paid from the earnings of the retirement fund and limits the expense of administration at the higher of (a) twenty-one hundredths of 1 percent (or 21/100, 21 basis points or 0.21%) of the accrued actuarial liability of the retirement system, or (b) two million dollars (\$2,000,000), subject to annual cost of living adjustments, ("the cap"), and further provides that expenditures for computer software, computer hardware, and computer technology consulting services in support of these computer products shall not be considered a cost of administration.
- 6) The "accrued actuarial liability of the retirement system" in any given year, shall be based on the most recent actuarial valuation of the system.
- 7) Article XVI, Section 17 of the Constitution of the State of California grants plenary and fiduciary authority to the Board for the administration of the system, subject to certain requirements.
- 8) The duties and responsibilities of the Board require an open and cogent process for setting the administrative spending parameters for the fiscal year.

- 9) The Retirement Administrator is charged with the responsibility to administer the Association within the budget parameters established by the Board in its annual budget.
- 10) Although not a cost of administration, as set forth in item 5) above, proposed expenditures for computer software, computer hardware and computer technology consulting services in support of these computer products shall be included in the annual budget.

III. Guidelines

- 11) General Provisions:
 - a) The development of the proposed budget is the responsibility of the Retirement Administrator.
 - b) The adoption of the Budget is the responsibility of the Retirement Board.
- 12) Proposed Budget – Board Packet:
 - a) The proposed budget will be published on the VCERA website, and provided to the Board and agenda distribution recipients, not less than 25 days prior to the Board’s budget hearing in order to provide the Board and members of the public adequate time for review.
- 13) The Retirement Board’s Budget Deliberations:
 - a) The Board will hold a public hearing to consider the proposed budget at its June Disability meeting.
 - b) Should a second public hearing be required, due to the need for significant changes or additional discussion, the Board will hold a second public hearing to consider the proposed budget at its June Business meeting.
- 14) Adoption Amendment and Review:
 - a) At the conclusion of its hearing(s), the Board will adopt the proposed budget, as it may have been revised, as the budget for the ensuing fiscal year.
 - b) The Retirement Administrator may ask the Board to amend the budget for the then current fiscal year by presentation of the reasons for the amendment, its impact, the program/policy or goal changes involved in the amendment and the cost of the amendment for the remainder of the fiscal year.

- c) The Retirement Administrator will provide monthly budget status reports to the Board, with comments on significant (the higher of fifteen percent or \$100,000) line item account deviations from the adjusted budget, and a mid-year budget review and comments on all expenditure variations at the Board's January or February meeting. The mid-year review may be used to explore program initiatives for the following fiscal year.

IV. Policy Review

- 15) The Board shall review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

V. Policy History

- 1) The Board last reviewed and approved this policy on July 1, 2013. This policy was originally adopted by the Board on June 16, 2003.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

ANNUAL ADMINISTRATIVE BUDGET POLICY

I. Background and Objectives

- 1) The purpose of this Annual Administrative Budget Policy is to establish the process by which the annual administrative budget of the Ventura County Employees' Retirement Association (VCERA) is presented to, deliberated upon, and approved by the Board of Retirement (Board).
- 2) The primary objectives of this policy are to:
 - a) To provide the Retirement Administrator and the Board with a clear process for establishing its annual administrative budget.
 - b) To ensure that the budget is presented and adopted in a timely manner to avoid problems transitioning from one fiscal year to the next.

II. Principles and Assumptions

- 3) Sections 31522.1 and 31522.2 of the California Government Code authorizes the Board to appoint the personnel necessary to administer the VCERA.
- 4) Section 31580.2 of the California Government Code provides ~~that upon appointment of when~~ such personnel have been appointed, the Board ~~will shall~~ adopt an annual budget covering the entire expense of administration of the ~~Association for the fiscal year retirement system~~.
- 5) Section 31580.2 of the California Government Code also provides that the entire expense of administration shall be paid from the earnings of the ~~R~~retirement ~~Association fund~~ and limits the expense ~~for of~~ administration at the higher of (a) twenty-one hundredths of 1 percent (or 21/100, 21 basis points or 0.21%) of the accrued actuarial liability of the retirement ~~Association system~~, or (b) two million dollars (\$2,000,000), subject to ~~further statutory modifications and exclusions~~ annual cost of living adjustments, ("the cap"), and further ~~excludes provides that~~ expenditures for computer software, computer hardware, and computer technology consulting services in support of these computer products ~~shall not be considered from considerations as~~ a cost of administration.
- 6) ~~In determining t~~The "accrued actuarial liability of the retirement ~~association system~~" in any given year, ~~that determination~~ shall be ~~made~~ based on the most recent actuarial valuation of ~~liabilities as of the close of the previous fiscal year the system~~.
- 7) Article XVI, Section 17 of the Constitution of the State of California grants plenary and fiduciary authority to the Board ~~over for~~ the administration of the ~~Association system, subject to certain requirements along with the fiduciary~~

~~responsibility to the members and beneficiaries of the Association for the prompt delivery of benefits and related services, and to the County of Ventura to minimize the employer contributions.~~

8) The duties and responsibilities of the Board require an open and cogent process for setting the administrative spending parameters for the fiscal year.

9) The Retirement Administrator is charged with the responsibility to administer the Association within the budget parameters established by the Board in its annual budget.

~~9)10) Although not a cost of administration, as set forth in item 5) above, proposed expenditures for computer software, computer hardware and computer technology consulting services in support of these computer products shall be included in the annual budget.~~

III. Guidelines

~~10)11)~~ General Provisions:

- a) The development of the proposed budget is the ~~exclusive~~ responsibility of the Retirement Administrator.
- b) The adoption of the Budget is the ~~exclusive~~ responsibility of the Retirement Board.

~~11)12)~~ Proposed Budget – Board Packet:

- ~~a) Although the Budget will be adopted by expenditure category (object level) total, it will be presented with division, sub-division, and line item totals.~~
- ~~b) The Statutory Limit schedule will include the previous year's adopted and adjusted budget, and the current year proposed budget by object level total for the Administrative Budget subject to the cap, the Information Technology Budget exempt from the cap, and Contingency.~~
- ~~c) Proposed Budget schedules will include the previous year's actual expenditures, the current year's adjusted budget, the current fiscal year's projected expenditures, and the budget year's proposed expenditures along with analytics showing the amount and percentage variance between the proposed and adjusted budget. Full Time Equivalent (FTE) counts will also be provided for each of the time periods.~~
- ~~d) The Position Detail By Classification schedule will list the position control codes, the position title/class, and the bi-weekly salary range, along with the prior year Adopted and Adjusted, and current year Proposed FTE and POS (position) counts.~~

~~e) The Services and Supplies Detailed Account Summaries by sub-division and line item account will include a description of what makes up the account total and a listing of large components, if applicable.~~

~~f)a) The Board Packet proposed budget will be published on the VCERA website, and announced-provided to the Board and agenda distribution recipients, not less than 25 days prior to the Board's budget hearing in order to provide the Board and members of the public adequate time for review.~~

~~12)13) The Retirement Board's Budget Deliberations:~~

- ~~a) The Board will hold a public hearing to consider the Pproposed Bbudget-Packet at its June Disability meeting.~~
- ~~b) Should a second public hearing be required, due to the need for significant changes or additional discussion, the Board will hold a second public hearing to consider the Pproposed Bbudget Packet at its June Business meeting.~~

~~13)14) Adoption Amendment and Review:~~

- ~~a) At the conclusion of its hearing(s), the Board will adopt Tthe Pproposed Bbudget-Packet, as it may have been revised, as the budget for the ensuing fiscal year-containing the Position Detail By Classification Detail, will be adopted by the Board establishing the financial and position control for the fiscal year.~~
- ~~b) The Retirement Administrator may ask the Board to amend the budget for the then current fiscal year by presentation of the reasons for the amendment, its impact, the program/policy or goal changes involved in the amendment and the cost of the amendment for the remainder of the fiscal year.~~
- ~~c) The Retirement Administrator will provide monthly budget status reports to the Retirement Board-on the consent agenda, with comments on significant (the higher of fifteen percent or \$100,000) line item account deviations from the adjusted budget, and a mid-year budget review and comments on all expenditure variations at the Retirement Board's January or February meeting. The mid-year review may be used to explore program initiatives for the following fiscal year.~~

IV. Policy Review

~~14)15) The Board shall review this policy at least every three (3) years to ensure that it remains relevant and appropriate.~~

V. Policy History

- 1) The Board last reviewed and approved this policy on ~~June 17~~July 1, 2013. This policy was originally adopted by the Board on June 16, 2003.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
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<http://www.ventura.org/vcera>

July 1, 2013

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

SUBJECT: RECEIVE AND FILE HARBOURVEST ALLOCATION UPDATE

Dear Board Members:

Background

On March 18, 2013, the Board awarded \$75,000,000 to the HarbourVest Dover VIII Fund, and on April 1, 2103, authorized the Administrator to obtain the legal services of Reed Smith LLP (Reed Smith) in the conduct of a legal review of the investment documents. On May 6, 2013, staff notified the Board of the initial limit on contributions to \$60,000,000 and obtained direction to provide a public legal memo summarizing the key provisions of the Dover VIII legal documents and side letter. On May 20, 2013 the Board authorized the Chair to execute the required documents for the \$60,000,000 allocation and authorized the Retirement Administrator to execute the required documents under substantially identical legal terms, for up to the additional \$15,000,000.

Discussion and Conclusion

Staff is delighted to report that through discussions with HarbourVest, and staff's ability to move quickly, staff was able to allocate an additional \$7,500,000 under identical terms.

VCERA's commitment now totals \$67,500,000. Capital called to date is \$5,737,500 and VCERA will be receiving its first distribution of \$1,578,744 on June 28, 2013.

Please receive and file this staff update.

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

Sincerely,



Donald C. Kendig, CPA
Retirement Administrator

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July 1, 2013

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

SUBJECT: RECEIVE ALTERNATIVE INVESTMENT TRAINING

Dear Board Members:

Background

On May 6, 2013, as part of the HarbourVest allocation update, staff suggested bringing in outside counsel to provide an educational session on the pros and cons of the alternative investment process, from manager selection to documentation, from disclosure to confidentiality, and from public records to proprietary interests. At that time, the Board authorized the Administrator to engage the services of Harvey Leiderman, of Reed Smith.

Discussion and Conclusion

Mr. Leiderman's presentation will not exceed 30 minutes, unless discussion ensues and the Board decides to extend it. Please do not hesitate to give him the hook, if necessary; however, staff believes the Board will be pleased by the content of his presentation and his delivery. Towards the end of Mr. Leiderman's presentation, he will be proposing the concept of holding closed sessions for alternative investment decisions and Board Counsel (Lori Nemiroff) will be prepared to debate his idea. Should the Board agree with Mr. Leiderman, staff welcomes Board or Chair direction to start the proposed business practice.

Mr. Leiderman, Ms. Nemiroff, and I would be pleased to respond to any questions you may have on this matter.

Sincerely,



Donald C. Kendig, CPA
Retirement Administrator

Attachment

PRUDENT INVESTING IN ALTERNATIVES: TRUST, BUT VERIFY

**Presentation to the Board of Retirement
Ventura County Employees' Retirement Assn.**

July 1, 2013

Harvey L. Leiderman

ReedSmith

The business of relationships.™

FUNDAMENTAL FIDUCIARY DUTIES OF BOARD MEMBERS

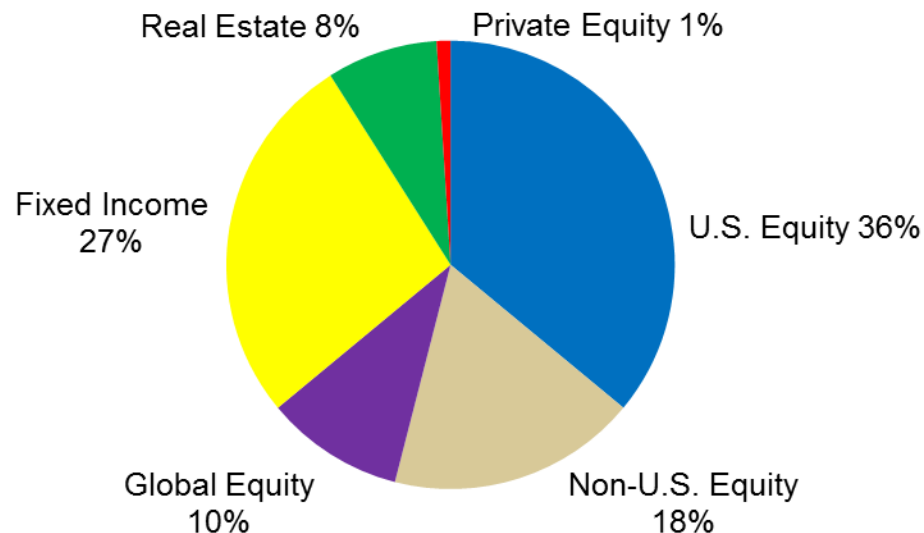
- **Primary Loyalty Rule**
- **Exclusive Benefit Rule**
- **Prudent Investor Rule**
- **Duty to Diversify Investments**

INVESTING THE ASSETS

- **“Prudent expert” standard**
- **Duty to investigate and evaluate assets**
- **Right to delegate fiduciary duty, but obligation to monitor**

THE VCERA PORTFOLIO REQUIRES DELEGATION OF AUTHORITY

VCERA INVESTMENT PORTFOLIO EVOLVING POLICY TARGETS



THE VCERA PORTFOLIO REQUIRES DELEGATION OF AUTHORITY

Market Values		As of March 31, 2013					\$3,648.9 Million and 100.0% of Fund			
VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION										
Period Ending 3/31/2013										
(\$ in Thousands)										
	U.S. Equity	Non-U.S. Equity	Fixed Income	Real Estate	Private Equity	Cash	Total	Percent of Total	Evolving Policy	Policy Target
BlackRock Extended Equity Index	\$35,392						\$35,392	1.0%		
Western Index Plus	\$101,172						\$101,172	2.8%		
BlackRock Equity Market Fund	\$1,231,625						\$1,231,625	33.8%		
Total U.S. Equity	\$1,368,190						\$1,368,190	37.5%	36.0%	36.0%
BlackRock ACWI ex-U.S. Index		\$352,277					\$352,277	9.7%		
Sprucegrove		\$154,698					\$154,698	4.5%		
Hexinvest		\$70,798					\$70,798	1.9%		
Water Scott		\$87,151					\$87,151	2.4%		
Total Non-U.S. Equity		\$674,924					\$674,924	18.5%	18.0%	19.0%
GMO Global Equity	\$84,094	\$99,118					\$183,212	5.0%		
BlackRock MSCI ACWI Equity Index	\$83,794	\$73,990					\$157,785	4.3%		
Total Global Equity	\$147,889	\$173,108					\$320,997	8.8%	10.0%	10.0%
Western			\$281,362				\$281,362	7.7%		
BlackRock U.S. Debt Fund			\$133,658				\$133,658	3.7%		
Reams			\$245,452				\$245,452	6.7%		
Loomis Sayles Global			\$67,315				\$67,315	1.8%		
Loomis Sayles			\$109,220				\$109,220	3.0%		
PIMCO Global			\$98,820				\$98,820	2.7%		
Total Fixed Income			\$935,837				\$935,837	25.6%	27.0%	25.0%
Prudential Real Estate				\$85,723			\$85,723	2.3%		
UBS Real Estate				\$179,894			\$179,894	4.9%		
Guggenheim				\$23,767			\$23,767	0.7%		
RREEF				\$10,225			\$10,225	0.3%		
Total Real Estate				\$299,640			\$299,640	8.2%	8.0%	10.0%
Adams Street Partners					\$28,398		\$28,398	0.8%		
Pantheon Ventures					\$7,508		\$7,508	0.2%		
Total Private Equity					\$35,904		\$35,904	1.0%	1.0%	0.0%
Clifton Group						\$13,370	\$13,370	0.4%		
Total Cash						\$13,370	\$13,370	0.4%	0.0%	0.0%
Total Assets	\$1,516,079	\$848,032	\$935,837	\$299,640	\$35,904	\$13,370	\$3,648,861	100.0%	100.0%	100.0%
Percent of Total	41.5%	23.2%	25.6%	8.2%	1.0%	0.4%	100.0%			

DELEGATING RESPONSIBILITIES

- **Board may delegate to committees, staff, consultants and managers**
- **Delegates have obligation to report to Board to assure performance and compliance with terms of delegation**
- **Board retains obligation to monitor**

DELEGATING RESPONSIBILITIES

“This never should have happened. I just can’t justify it....In hindsight, the strategy was flawed, complex, poorly reviewed, poorly executed and poorly monitored.”

PROCESS IS AS IMPORTANT AS RESULTS

Policies should clearly define delegation and duties:

- **Board**
- **Investment Committee, if any**
- **Staff**
- **Investment Consultants**
- **Managers**

PROCESS IS AS IMPORTANT AS RESULTS

Formal monitoring procedures should include:

- **Periodic reporting for accuracy and adequacy**
- **Timely asset valuations**
- **Compliance with guidelines**
- **Returns – absolute and relative to benchmark**
- **Risk assessment – individual managers, portfolios**
- **Governance, personnel, business operations**
- **Verification of fee computations**
- **Directed brokerage and FX practices**
- **Watch list, termination determinations**

HOW IS VCERA DOING?

Board has established prudent policies & procedures, roles & responsibilities

- **Investment Policy Manual**
- **“Discretion in a Box”**
- **Consultant and manager contracts**
- **Manager guidelines**
- **Monitoring and reporting guidelines**
- **Rebalancing responsibilities**

WHY “ALTERNATIVES” ARE DIFFERENT

Special characteristics of “alternative” vehicles

- **Managers selected for non-traditional strategies**
- **Non-public markets**
- **Lack of transparency can be a strategic advantage**
- **Disclosure could risk “front-running”**
- **Confidentiality covenants and NDAs**
- **Need for confidentiality recognized by Legislature**

NOT-SO-HYPOTHETICAL CONFIDENTIALITY PROVISION

- “ All of our hedge fund data is confidential if we say so.”**
- “ We may disclose confidential data to Staff of the Plan, but not to the Board.”**
- “ Staff may not disclose our confidential data to the Board, either.”**
- “ The Plan agrees to prevent unauthorized disclosure to third parties.”**
- “ But if you have to comply with the PRA and Brown Act, that’s ok.”**

PUBLIC RECORDS ACT

Disclosable, public

- **Name, address, vintage year**
- **Dollar amount of plan commitment since inception**
- **Dollar amount of contributions since inception**
- **Dollar amount of annual cash distributions, plus remaining expected value**
- **Net IRR since inception**
- **Investment multiple since inception**
- **Dollar amount of management fees, costs paid**
- **Dollar amount of annual cash profit received**

PUBLIC RECORDS ACT

Non-disclosable, proprietary

- **Due diligence materials**
- **Financial statements of alt. inv. vehicles**
- **Meeting materials of alt. inv. vehicles**
- **Records of portfolio positions of alt. inv. vehicles**
- **Capital call and distribution notices**
- **Alternative investment agreements, documents**

BROWN ACT

Closed sessions only for purchase or sale of specific investments

Be careful – the Board and managers can compromise confidentiality!

- **All presentation materials are public**
- **All materials for open agenda item circulated among the Board are public**
- **Makes “deep dive” by Board members problematic**

VCERA-SPECIFIC CHALLENGES

- **Absence of CIO, dedicated investment staff impacts ability to monitor program**
- **Board conduct critical**
- **Confidentiality challenges**
 - **Access to manager data**
 - **Disclosure of strategies**
 - **Disclosure of portfolio holdings**
 - **Chilling investment opportunities**
 - **Negotiating deal documents**

CONSIDER MODIFYING THE PROCESS

- **Open, public RFP presentations**
- **Closed session only for investment decisions, terms, negotiating strategies**
- **Approval subject to staff final due diligence, counsel documentation**
- **Report out in public when deal done & funded**
- **All monitoring and reporting in public**
- **Q: Access to proprietary information?**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
<http://www.ventura.org/vcera>

July 1, 2013

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

**SUBJECT: REVIEW AND APPROVAL OF PROFESSIONAL SERVICES CONTRACT
WITH CMP & ASSOCIATES, INC.**

Dear Board Members:

Background

The Retirement Data Base System (RDBS) was developed by the County of Ventura Information Technology Services Department in the 1980s, specifically for the Ventura County Employees' Retirement System, and maintains the data for the Active members. The Retirement Information System (RIS) was developed in 1997 and maintains the data for the Retirees. Ms. Viorica Lawson arrived in the latter part of the implementation period for RDBS, and was the developer of RIS. These systems both use Model 204 language and databases. While staff was able to locate another resource familiar with the Model 204 language and database structure and file structure, Ms. Lawson is the only vendor who is familiar with the current VCERA systems. Ms. Lawson is currently the sole employee of CMP & Associates.

Proposed Contract

VCERA has contracted with CMP & Associates, Inc. to provide those items as outlined in the Scope of Services (see attachment A). Historically, absent any special projects, the system has required 1,500 hours per fiscal year to maintain on an annual basis. Staff is proposing a two-year contract to provide services throughout the duration of the legacy system, requiring 1,500 hours each fiscal year for general system maintenance.

In addition to general system maintenance, staff is requesting 200 additional hours, for the period of July 1, 2013 through June 30, 2014, for CMP & Associates, Inc. to provide training to a County Information System resource to ensure continued support, and to provide written documentation of periodic Information Technology processes.

Staff is also requesting 50 hours within fiscal year 2013-14, and 50 hours within fiscal year 2014-15 for CMP & Associates to provide in-depth knowledge of legacy data and processes as needed to facilitate the VCERIS project, and participate in data mapping and design session meetings as necessary. Staff budgeted 50 hours in fiscal year 2012-13 for this endeavor and as of June 24, 2013, only used 15 hours. Staff is requesting that your Board reestablish 50 hours towards this effort.

A model of excellence for public pension plans around the World.

**REVIEW AND APPROVAL OF PROFESSIONAL SERVICES CONTRACT WITH
CMP & ASSOCIATES, INC.**

July 1, 2013

Page 2 of 2

In addition, Staff is recommending an increase in the hourly rate compensated from \$150 per hour to \$157.50 per hour (or 5%), which would bring the rate within the range commensurate with other Information Technology consultants of comparable skill and experience. Compensation for work related to the VCERIS project will be paid at \$185.00 per hour, which is the current rate that was approved for this effort. The FY 2013-14 Budget includes general system maintenance for 1,500 hours for a total of \$236,300. Approval of this contract will increase the FY 2013-14 budget by \$40,700. The FY 2014-15 budget will include \$245,500.

Staff and the Ventura County Employees' Retirement Income System (VCERIS) project contractors are projecting a phase out period for CMP & Associates, Inc. of approximately two years. Contractor has agreed to stay through the initial PAS implementation period.

Staff recommends approval of the attached two-year contract with CMP & Associates, Inc. (Contractor), in an amount not to exceed \$522,500 for the period July 1, 2013 through June 30, 2015.

In addition, Staff recommends that your Board approve the following budgetary adjustments to establish additional appropriations.

<u>Information Technology – Operations Support (Exempt from CAP):</u>	
INCREASE – Technology	\$31,500
DECREASE – Contingency	\$31,500
<u>Pension Administration System Project Budget (Exempt from CAP):</u>	
INCREASE – Technology	\$9,250
DECREASE – Contingency	\$9,250

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

Sincerely,



Donald C. Kendig, CPA
Retirement Administrator

Attachment

PROFESSIONAL SERVICES CONTRACT

PROJECT: VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION SOFTWARE DEVELOPMENT AND MAINTENANCE

This is a contract between the Ventura County Employees Retirement Association, hereinafter referred to as VCERA, and CMP & Associates, Inc., hereinafter referred to as CONTRACTOR. The parties hereto agree as follows:

1. SCOPE OF WORK

VCERA hereby retains CONTRACTOR to perform services as provided in Attachment A, "Scope of Work" and in Attachment B, "Schedule of Fees". Services provided hereunder shall be in accordance with the Ventura County Information Technology Services standardized processes and project management methodologies as amended from time to time, which is on file with the Information Technology Services Department. This contract shall take precedence over such processes and methodologies in case of conflicting provision; otherwise they shall be interpreted together.

2. COMPENSATION

Payment shall be made monthly upon presentation of three copies of an invoice to VCERA for work actually completed and accepted by VCERA's management according to Attachment B, "Schedule of Fees". Unless stated separately in Attachment B, all compensation hereunder shall include any and all out-of-pocket expenses.

3. PERFORMANCE PERIOD

This contract will be retroactive for the period July 1, 2013 through June 30, 2015. VCERA shall issue a suspension of the contract time when CONTRACTOR is delayed by VCERA.

4. STATUS OF CONTRACTOR

It is understood and agreed that CONTRACTOR is at all times an independent contractor and that no relationship of employer-employee exists between the parties hereto. CONTRACTOR will not be entitled to any benefits payable to employees of VCERA, included but not limited to overtime, retirement benefits, worker's compensation benefits, injury leave or other leave benefits. VCERA is not required to make any tax or benefit deductions from the compensation payable to CONTRACTOR under the provisions of this contract.

As an independent contractor, CONTRACTOR hereby holds VCERA harmless from any and all claims that may be made against VCERA based upon contention by any third party that an employer-employee relationship exists by reason of this contract.

It is further understood and agreed by the parties hereto that CONTRACTOR in the performance of its obligations hereby is subject to the control or direction of VCERA merely as to the result to be accomplished by the services hereunder agreed to be rendered and performed and not to the means and methods for accomplishing the results.

If, in the performance of this contract, any third persons are employed by CONTRACTOR, such persons shall be entirely and exclusively under direction, supervision and control of CONTRACTOR. All terms of employment, including hours, wages, working conditions, discipline, hiring and discharging or any other terms of employment or requirements of law, shall be determined by CONTRACTOR. VCERA shall have no right or authority over such persons or the terms of such employment, except as provided in this contract.

5. CONTRACT MONITORING

VCERA shall have the right to review the work being performed by the CONTRACTOR under this contract at any time during VCERA's usual working hours. Review, checking, approval or other action by VCERA shall not relieve CONTRACTOR of its responsibility for the accuracy and completeness of the work performed under this contract. This contract shall be administered by the VCERA's contract administrator or his authorized representative.

6. INSURANCE PROVISIONS

A. CONTRACTOR, at its sole cost and expense, will obtain and maintain in full force during the term of this contract, the following types of insurance:

1) Commercial General Liability "occurrence" coverage in the minimum amount of \$1,000,000 combined single limit (CSL) bodily injury and property damage each occurrence and \$2,000,000 aggregate, including personal injury, broad form property damage, products, completed operations, broad form blanket contractual and \$100,000 fire legal liability.

2) Worker's compensation coverage, in full compliance with California statutory requirements, for all employees of CONTRACTOR and Employer's Liability in the minimum amount of \$500,000.

B. All insurance required shall be primary coverage as respects VCERA and any insurance and self-insurance maintained by VCERA shall be in excess of CONTRACTOR'S insurance coverage and shall not contribute to it.

C. VCERA is to be notified immediately if any aggregate insurance limit is exceeded. Additional coverage must be purchased to meet requirements.

D. VCERA is to be named as Additional insured as respects work done by CONTRACTOR under the terms of this contract on all policies required, except Worker's Compensation.

E. CONTRACTOR agrees to waive all rights of subrogation against VCERA for loss arising directly or indirectly from the activities or work performed by CONTRACTOR under the terms of this agreement.

F. Policies shall not be cancelled, non-renewed or reduced in scope of coverage until after sixty (60) days written notice has been given to VCERA.

G. CONTRACTOR agrees to provide VCERA with the following insurance documents on or before the effective date of this contract:

- 1) Certificate of Insurance for all required coverages.
- 2) Additional insured endorsements.

Failure to provide these documents may be grounds for immediate termination or suspension of this contract.

It is the responsibility of CONTRACTOR to confirm that all terms and conditions of the insurance provisions are complied with by any and all subcontractors that CONTRACTOR may use for the completion of this contract.

7. INDEMNIFICATION AND HOLD HARMLESS

All activities and work covered by this contract will be at the risk of the CONTRACTOR alone. CONTRACTOR agrees to defend VCERA from and against all claims, lawsuits – whether against CONTRACTOR, VCERA or others – judgments, debts, demands and liability, including, without limitation, those arising from injuries or death of persons or for damages to property, arising directly or indirectly out of the obligations herein described and undertaken or out of operations conducted or subsidized in whole or in part by CONTRACTOR, save and except claims or litigation arising through the sole negligence or wrongdoing or sole willful misconduct of VCERA.

8. EQUAL OPPORTUNITY

CONTRACTOR will not discriminate against any employee, or against any applicant for such employment because of age, race, color, religion, physical handicap, ancestry, gender or national origin. This provision shall include, but not limited to, the following: employment, upgrading, demotion or transfer, recruitment and recruitment advertising, layoff or termination, rates of pay or other forms of compensation and selection for training including apprenticeship.

9. TERMINATION

Both parties retain the right to terminate this contract for any reason prior to completion by giving the other party in writing a 30-day notice. On completion or termination of contract, VCERA shall be entitled to immediate possession of, and CONTRACTOR shall furnish all deliverables for this particular project prior to any termination and VCERA shall pay any charges accumulated prior to such termination.

10. ADDENDA

VCERA may from time to time require changes in scope of the services required hereunder. Such changes, including any increase and decrease in the amount of CONTRACTOR'S compensation which are mutually agreed upon by and between VCERA and CONTRACTOR, shall be effective when incorporated in written amendments to this contract.

11. CONFLICT OF INTEREST

CONTRACTOR covenants that CONTRACTOR presently has no interest, including but not limited to, other projects and independent contracts, and shall not acquire such interest, direct or indirect, which would conflict in any manner or degree with the performance of services required to be performed under this contract. CONTRACTOR further covenants that in the performance of this contract, no person having such interest shall be employed or retained by CONTRACTOR under this contract.

12. CONFIDENTIALITY

Any reports, information, data, statistics, forms, procedures, studies and any other communication or form of knowledge given to or prepared or assembled by CONTRACTOR under this contract, which VCERA requests to be kept as confidential shall not be made available to any individual or organization by CONTRACTOR without the written approval of VCERA, except as authorized by law. CONTRACTOR shall insure that such confidential information be kept confidential by its employees and/or independent subcontractors.

13. NOTICES

All notices required under this contract shall be made in writing and addressed or delivered as follows:

TO VCERA: **Ventura County Employees' Retirement Association**
1190 S. Victoria Avenue, Suite 200
Ventura, CA 93003-6572
Phone: 805.339.4250

TO CONTRACTOR: **CMP & Associates, Inc.**
342 Windtree Avenue
Newbury Park, CA 91320
Phone: 805.795.0578

Either party may, by written notice to the other, change its own mailing address.

14. MISCELLANEOUS

This contract supersedes all previous contracts, agreements, understandings and representations of any nature whatsoever, whether oral or written, and constitutes the entire understanding between the parties hereto.

CONTRACTOR is only authorized to access VCERA systems as identified in Attachment A, "Scope of Work", of this contract. Any unauthorized access to VCERA systems may constitute a breach of contract and may result in immediate termination of contract.

IN WITNESS WHEREOF, the parties hereto have executed this contract.

VCERA

Signature

Printed Name

Title

Date

CMP & ASSOCIATES, INC.

Signature

Printed Name

Title

Date

ATTACHMENT A

SCOPE OF WORK

PROJECT: VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION SOFTWARE DEVELOPMENT, MAINTENANCE AND OTHER TECHNICAL SERVICES

CONTRACTOR: CMP & ASSOCIATES, INC.

CONTRACTOR will provide VCERA with software development and maintenance services as requested by VCERA, on a time and materials basis, for the period July 1, 2013 through June 30, 2015. This SCOPE OF WORK shall only cover the services provided by Viorica Lawson.

Specifically, the CONTRACTOR'S will work under the direction of the VCERA Technology Services Manager responsible for the VCERA systems and be responsible for analysis, design, coding and testing of software implementing customer requests.

A). Maintenance and Support: 1,500 hours per fiscal year beginning July 1, 2013 through June 30, 2015, for a total of 3,000 hours to be divided equally between two (2) fiscal years, will be allocated to maintenance and support which includes, but is not limited to:

- Maintain the Retirement Database System (RDBS) for active members which includes processing, validating, importing and updating of biweekly payroll updates from the County of Ventura and VRSD payroll systems, and performing program and file modifications.
- Maintain the Retirement Information System (RIS) Database for retired members and their beneficiaries, which includes processing, validating, importing and updating of monthly payroll from third party vendor, and perform program and file modifications.
- Generate and validate Quarterly filing with Employment Development Department.
- Produce Semi-annual Interest posting to include production, testing, validation, reporting, and posting of interest each December and June.
- Annual Actuarial Valuation (Segal and PARS). Create database environment to generate extract data required by the Actuary for the County of Ventura and VRSD. Assist in responding to Actuary questions regarding data.
- Maintain database for Annual Benefit Statements. Validate data requirements and modify programs to conform to new requirements. Produce data file based on vendor requirements.
- Produce member and retiree data as detailed in the request from external Auditors for the annual audit.
- Produce data and statistics as required for the Comprehensive Annual Financial Report.

- Complete the calendar year end process which includes validation and testing of RIS and RDBS data with the generation of form 1099R for each Retiree, Beneficiary or member taking a refund or a death benefit. Produce extract file to be filed with the Internal Revenue Service and any amendments required.
- Produce extract files requested i.e., public, media, etc.
- Evaluate and make necessary changes to RDBS in order to accommodate any changes in the County of Ventura's payroll interface.

B). Back-up County IT Resource Training: 100 hours will be allocated in period beginning July 1, 2013 through June 30, 2014 to training a back-up County IT resource, which includes, but is not limited to:

- Provide training to an identified resource to oversee the biweekly process, including reporting, payroll extract from VCHRP and VRSD, and day to day operational issues.
- Provide training status updates. The update notifications will be sent to the VCERA Operations Manager as each phase of training is completed.

C). Written Documentation of Periodic IT Processes: 100 hours will be allocated in the period beginning July 1, 2013 through June 30, 2014 to document IT processes, which includes, but is not limited to:

- Provide written documentation for all less frequent periodic processes identified under section "A" of this contract. The documentation of Interest Posting and Actuarial Extract processes will be completed by November 15, 2013. The documentation of the other processes identified will be completed within the remainder of the fiscal year.

D). Availability to Address Pension Administration System (PAS) Project-related Inquiries: 50 hours will be allocated per fiscal year beginning July 1, 2013 through June 30, 2015, for a total of 100 hours, to provide in-depth knowledge of legacy data and processes as needed to facilitate legacy data extraction, as well as the data conversion project, and participate in data mapping and design session meetings as necessary, the participation includes, but is not limited to:

- Meetings, emails, phone calls and/or providing documentation

ATTACHMENT B

SCHEDULE OF FEES

**PROJECT: VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SOFTWARE DEVELOPMENT AND MAINTENANCE**

**CONTRACTOR: CMP & ASSOCIATES, INC.
TAX ID 77-0375973**

CONTRACTOR shall be reimbursed on a time and materials basis according to the following:

1. The hourly contracting rate shall be fixed at \$157.50 per hour for those Maintenance and Support activities bulleted in section A, B, and C of Attachment A.
2. The hourly contracting rate shall be fixed at \$185.00 per hour for activities bulleted in section D of Attachment A.
3. The total contract is not to exceed \$522,500
4. No reimbursements for out of pocket expenses.
5. CONTRACTOR shall submit monthly invoices for hours worked in the following billing format:
Contract Services for (provide specific date)
(Total Hours Billed) x \$(hourly rate) = \$(Total Amount Billed)
6. Payment terms are net 30 days from date of invoice.
7. VCERA shall send payments to:
CMP & ASSOCIATES, INC.
342 WINDTREE AVENUE
NEWBURY PARK, CA 91320
TEL: 805.795.0578
8. CONTRACTOR shall send monthly invoices to:

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
1190 S. VICTORIA AVENUE, SUITE 200
VENTURA, CA 93003-6572
TEL: 805.339.4250

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
<http://www.ventura.org/vcera>

July 1, 2013

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

SUBJECT: RECEIVE AND FILE FIDUCIARY LIABILITY INSURANCE REPORT

Dear Board Members:

Background and Overview

On September 17, 2012, your Board received an Alliant Insurance Services presentation on VCERA's Fiduciary Liability Insurance and authorized the Risk Manager and Retirement Administrator to adjust future fiduciary coverage provisions, upon mutual agreement. Staff further solicited the payment of \$9.09 from each Trustee for the payment of the California Waiver of Recourse endorsement.

Fiduciary Liability Insurance is an insurance product designed to transfer risk for the financial protection of fiduciaries of employee benefit plans against legal and statutory liability arising out of their role as fiduciaries, including the cost of defending those claims that seek to establish such liability. Fiduciary insurance is renewed annually, as is the request for \$9.09 from Trustees, and the waiver of recourse is not perfected until all Trustees have submitted payment. The waiver of recourse endorsement prevents the insurer from exercising its subrogation rights against an insured fiduciary.

Discussion and Conclusion

On June 20, 2013, VCERA renewed its fiduciary liability insurance with the RLI Insurance Company for the 2013-14 fiscal year. The policy was renewed at a higher annual premium than was paid last fiscal year (\$78,853 vs. \$74,700). The Limit of Liability remains the same at \$10,000,000 as does the Compliance Fee Sublimit at \$500,000. No longer is a HIPAA endorsement sublimit of \$1.5M, and new is a Pension Spiking endorsement sublimit of \$5M. Staff can obtain endorsement details from Risk Management upon request. Attached as one item are the Fiduciary Liability Quotation and corollary Binder of Insurance for the Board's information.

RECEIVE AND FILE FIDUCIARY LIABILITY INSURANCE REPORT

July 1, 2013

Page 2 of 2

An aspect of RLI's coverage is a clause that gives RLI the right to recourse against the individual trustee whose breach gives rise to a claim. RLI pays the claim and then can recover losses from the individual trustee. The plan's assets are protected, but not those of the individual trustee. RLI charges a nominal fee to each individual trustee (\$100 in total to cover the eleven VCERA Trustees) to waive this right of recourse and extend coverage to the individual trustee. The fee is intended to be paid by the individual Trustees, or their respective appointing entity for appointed members, but may not be paid from plan assets.

The waiver of recourse was included within VCERA's \$78,953 payment for fiduciary liability coverage, and the waiver will become effective as to individual board members upon payment by board members. Accordingly, Staff recommends VCERA's Trustees pay the nominal fee of \$9.09 as soon as practical in order to maximize the effectiveness of the fiduciary liability coverage and extend the liability coverage to VCERA's individual trustees.

Please receive and file this item and provide a check made payable to "VCERA" in the amount of \$9.09.

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

Sincerely,



Donald C. Kendig, CPA
Retirement Administrator

Attachment



AmWINS Insurance Brokerage of California, LLC
601 S. Figueroa Street
Suite 4350
Los Angeles, CA 90017

www.amwins.com

CA License #0C01319

June 20, 2013

Mariana Salyer
Alliant
1301 Dove Street Suite 200
Newport Beach, CA 92660

RE: Ventura County Employees Retirement Association
Fiduciary Liability Quotation

FIDUCIARY LIABILITY QUOTATION

Dear Mariana:

Please find attached the Fiduciary Liability Quotation for Ventura County Employees Retirement Association. Here is a summary of the terms and conditions:

APPLICANT: Ventura County Employees Retirement Association

MAILING ADDRESS: 1190 S. Victoria Avenue # 200
Ventura, CA 93003

CARRIER: RLI Insurance Company

PROPOSED POLICY PERIOD: From 7/1/2013 to 7/1/2014
12:01 A.M. Standard Time at the Mailing Address shown above

POLICY PREMIUM:	\$78,853.00	Premium
	\$100.00	Fees
	\$78,953.00	Total

COMMISSION: 14.000% of premium excluding fees and taxes

FINANCIAL DETAILS

FEES:

Fee	Amount
California Waiver of Recourse	\$100.00

	Total	\$100.00
Total Fees		\$100.00

The attached Quotation from the carrier sets out the precise coverage terms and conditions being proposed. Please review this information carefully as the terms being offered may differ from the specifics you requested in your submission.

If after reviewing you have any questions or requested changes, feel free to contact me.

Thank you for the opportunity to provide this Quotation and I look forward to hearing from you.

Sincerely,

Emma Villalobos

Assistant Vice President | AmWINS Insurance Brokerage of California, LLC
T 213.254.2237 | F 213.254.2238 | emma.villalobos@amwins.com
601 S. Figueroa Street | Suite 4350 | Los Angeles, CA 90017 | amwins.com

License No.: 0C01319

An AmWINS Group Company

June 20, 2013

Emma Villalobos
AmWINS Insurance Brokerage CA
601 S. Figueroa Street
Suite 4350
Los Angeles, CA 90017**Re:** Ventura County Employees' Retirement Association**EXECUTIVE PRODUCTS GROUP
BINDER OF INSURANCE**

Issuing Company:	RLI Insurance Company, A+ Admitted
Policy Number:	EPG0011565
Policy Period:	July 01, 2013 to July 01, 2014
Discovery Period:	See Endorsement

Coverage:	Governmental Plans Fiduciary Liability Policy
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Policy Form:	GEF 100 (04/11) / GEF 101 (04/11)
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Limit of Liability:	\$10,000,000 aggregate
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Retention:	\$0 Non-Indemnifiable Loss \$25,000 all other Loss
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Compliance Fee Sublimit:	\$500,000
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Endorsements:	GEF 301 (04/11) - Amend Definition of Loss - Increased HIPAA Sublimit GEF 302 (04/11) - Amend Discovery Period GEF 303 (04/11) - Amend Other Insurance GEF 305 (01/12) - Amend Written Contract Exclusion GEF 306 (01/12) - Defense Cost Allocation Endorsement GEF 307 (01/12) - Amend Bodily Injury Exclusion GEF 310 (01/12) - Amend Defense Coverage UW 20334 (10/11) - State of California Notice To Policyholder Investigation and Settlement Endorsement Pension Spiking Endorsement - Sublimit \$5M
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Prior or Pending Date:	July 01, 2001
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Premium:	\$78,853
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Waiver: \$100

Total Premium and Surcharges: \$78,953

Insured Plans: Ventura County Employees' Retirement Association

COVERAGE IS BOUND SUBJECT TO OUR RECEIPT AND ACCEPTANCE OF THE FOLLOWING ADDITIONAL INFORMATION:

In order to complete the underwriting process, we require the additional information requested above. This binder is issued for a temporary period of 30 days from the date of this notice. Such temporary binding of coverage shall be void ab initio ("from the beginning") if we have not received, reviewed, and approved in writing such materials within the aforementioned 30 days.

Further, these terms are strictly conditioned upon there being no material change in the risk between the date of this letter and the inception date of the proposed policy. If we determine such material change has occurred, we may modify the terms, up to and including withdrawal of the terms.

Please review this binder carefully and notify RLI Insurance Services immediately of any inaccuracies or discrepancies.

This binder may only be changed or extended in writing by RLI Insurance Company.

Thank you for the opportunity to consider this account. If you have any questions, please don't hesitate to call.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
<http://www.ventura.org/vcera>

June 20, 2013

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572

Dear Board Members:

On June 14, the undersigned attended the CALAPRS Trustees Roundtable in Burbank. Following is our report.

Although there were representatives from city, county, and the State retirement systems, the attendance was disappointingly small.

There were presentations on risk management, which seems to be the "topic du jour" at most conferences and meetings, the evolution of institutional investment (including some suggestions as to how investments should be made), coping with the low interest rate environment, and investment in infrastructure.

Kristoffer Houlihan, Managing Partner of Armilla Partners, talked about how important risk management has become. Although his presentation centered on risk management for hedge funds, it was applicable to all types of institutional investing. He discussed the types of risks inherent in investing, how there appears to be a growing demand for independent risk management advice (which is expensive), how access to necessary data is not readily available (especially regarding illiquid investments), and the need for standardizing the information obtained from investment managers. Although obviously in the business of providing risk management advice, he did not attempt to sell the concept of outside risk management, but emphasized that the important thing was that risk management be independent, whether it was an outside or inside function.

The second speaker was Steven Drobny, CEO of Drobny Global Asset Management. To say the least, he was somewhat unconventional in his observations. For one thing, he suggested that the investment consultant's role was to not lose their client, as opposed to making money for the client! He also pointed out, as we already know, that few active managers outperform. He even went so far as to suggest that institutions should make equity investments through a fund manager like Vanguard because of the low cost. Interestingly, he believes that private equity brings on more risk to a portfolio, and he likes cash. Whether or not it is practical, he believes institutions should lend cash at premium rates to, among others, private equity managers to use in acquiring companies or other private equity funds. He also is of the opinion that institutional investors should have a chief investment officer, and that compensation is key to hiring and keeping the best ones.

The next speaker was Nick Sargen, CIO of Fort Washington Investment Advisors. He identified the challenge of earning a satisfactory return in the current low interest environment, especially while protecting a portfolio in the event yields rise. Contrary to the previous speaker, he felt cash balances should be kept low, and that investors should have a mix of the following portfolios: treasury, private placement, short duration high yield, emerging market debt, and dividend income. He also felt that investors should continuously explore new investment avenues.

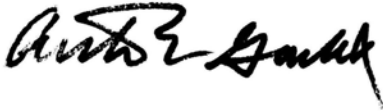
Board of Retirement
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The final speaker was Joyce Shapiro, Managing Director at Franklin Templeton. Our Board has already heard much of what she had to say. She pointed out that infrastructure investment benefits a portfolio because of its low volatility, low correlation, high value investment correlation, predictable cash flows, and real returns. She also identified the best infrastructure options as energy, water, and transportation because they are inflation-linked and have a dedicated revenue stream.

The afternoon ended with a round the table discussion of what is going on at the various systems, which is always interesting.

We'd be happy to answer any questions the Board may have.

Respectfully,



Arthur E. Goulet
Board Member



Deanna McCormick
Board Member