

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

November 4, 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:

- | | | |
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| I. | <u>INTRODUCTION OF MEETING</u> | Master Page
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| II. | <u>APPROVAL OF AGENDA</u> | 1 - 4 |
| III. | <u>APPROVAL OF MINUTES</u> | |
| | A. Business Meeting of October 21, 2013. | 5 - 12 |
| IV. | <u>PENDING DISABILITY APPLICATION STATUS REPORT</u> | 13 - 60 |
| V. | <u>APPLICATIONS FOR DISABILITY RETIREMENT</u> | |
| | A. Application for Non-Service and Service Connected Disability Retirement; Carmen Castaneda; Case No. 12-014. | 61 - 75 |
| | 1. Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, Submitted by Hearing Officer Louis M. Zigman, dated July 5, 2013. | |

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

- A. Application for Non-Service and Service Connected Disability Retirement; Carmen Castaneda; Case No. 12-014. (continued)
 - 2. Hearing Notice.

- B. Application for Service Connected Disability Retirement; David Nadon; Case No. 11-008. 76 - 158
 - 1. Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendations, Submitted by Hearing Officer Paul E. Crost, dated September 5, 2013.
 - 2. Respondent's Objection to the Summary of Evidence, Findings of Fact, Conclusion of Law and Recommendation, Submitted by Stephen D. Roberson, Attorney at Law, dated September 16, 2013.
 - 3. Applicant's Response to Respondent's Objection to the Summary of Evidence, Findings of Fact, Conclusion of Law and Recommendation, Submitted by Anthony R. Strauss, Attorney at Law, dated September 26, 2013.
 - 4. Hearing Notice.

- C. Application for Service Connected Disability Retirement; Susan Moser; Case No. 11-018. 159 – 235
 - 1. Applicant's Petition for Reconsideration, Submitted by Timothy Ehritt, Attorney at Law, dated August 3, 2013.
 - 2. Respondent's Opposition to the Petition for Reconsideration, Submitted by Stephen D. Roberson, Attorney at Law, dated August 13, 2013.
 - 3. Hearing Notice.

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

- D. Application for Service Connected Disability Retirement; Susan Chavez; Case No. 13-009. 236 - 249
1. Letter requesting Susan Chavez attend her deposition, and continue the hearing set for January 17, 2014, submitted by Stephen D. Roberson, Attorney at Law, dated October 2, 2013.
 2. Hearing Notice.

VI. STANDING ITEM

- A. Receive and File Monthly PAS (VCERIS) Report for September 2013. 250 - 260

VII. INVESTMENT INFORMATION

- A. Approval and Execution of the NEPC Investment Consulting Agreement. 261 - 270

VIII. NEW BUSINESS

- A. Receive and File Staff Notice Regarding Custodial Fee Proposal. 271 - 298
- B. Authorization of the Engagement of Human Resources to Review the Proposed Job Specifications, and Establish an Appropriate Title and Salary Range for a Retirement Investment Analyst. 299 - 302

IX. CLOSED SESSION

It is the Intention of the Board of Retirement to Meet in Closed Session to Discuss the Following Items.

- A. CONFERENCE WITH LEGAL COUNSEL - PENDING LITIGATION 303 - 338

CONFERENCE WITH LEGAL COUNSEL PURSUANT TO THE PROVISIONS OF GOVERNMENT CODE SECTION 54956.9 – EXISTING LITIGATION.

NAME OF CASE: COUNTY OF VENTURA V. BOARD OF RETIREMENT AND MARK B. LOPEZ.

- X. PUBLIC COMMENT

- XI. BOARD MEMBER COMMENT

- XII. ADJOURNMENT

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

October 21, 2013

MINUTES

DIRECTORS William W. Wilson, Chair, Public Member
PRESENT: Steven Hintz, Treasurer-Tax Collector
Peter C. Foy, Public Member
Joseph Henderson, Public Member
Mike Sedell, Public Member
Tom Johnston, General Employee Member
Arthur E. Goulet, Retiree Member
Will Hoag, Alternate Retiree Member
Chris Johnston, Alternate Employee Member

DIRECTORS Tracy Towner, Vice Chair, Safety Employee Member
ABSENT: Deanna McCormick, General Employee Member

STAFF Donald C. Kendig, Retirement Administrator
PRESENT: Henry Solis, Chief Financial Officer
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 October 21, 2013, to order at 9:00 a.m.

II. APPROVAL OF AGENDA

The Retirement Administrator requested modification of the Agenda to include additions to Item VI.D. Approval and Execution of the NEPC Investment Consulting Agreement comprised of a legislative mark-up of proposed agreement revisions and additional proposed provisions.

MOTION: Approve the agenda as modified.

Moved by Henderson, seconded by T. Johnston.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, Sedell, Wilson, C. Johnston
No: -
Absent: McCormick, Towner. Foy absent for this item.
Abstain: -

III. APPROVAL OF MINUTES

Trustee Foy arrived at 9:02 a.m.

A. Investment Retreat of September 26, 2013.

MOTION: Approve the Minutes.

Moved by Hintz, seconded by Goulet.

Vote: Motion carried
Yes: Foy, Goulet, Henderson, Hintz, Sedell, Wilson, C. Johnston
No: -
Absent: McCormick, Towner
Abstain: T. Johnston

B. Disability Meeting of October 7, 2013.

MOTION: Approve the Minutes.

Moved by Hintz, seconded by Goulet.

Vote: Motion carried
Yes: Foy, Goulet, Henderson, Hintz, T. Johnston, Sedell, Wilson, C. Johnston
No: -
Absent: McCormick, Towner
Abstain: -

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 September 2013.
- B. Report of Checks Disbursed in September 2013.
- C. Asset Allocation as of September 2013.
- D. Statement of Plan Net Position, Statement of Changes in Plan Net Position, Investments & Cash Equivalents for the Months Ended July 31 and August 31, 2013.
- E. Budget Summary – Year to Date as of July and August 2013, Fiscal-Year 2013-14.
- F. Quarterly Administrator Report for July 1 to September 30, 2013.

MOTION: Approve the Consent Agenda.

Moved by Hintz, seconded by T. Johnston.

Vote: Motion carried

Yes: Foy, Goulet, Henderson, Hintz, T. Johnston, Sedell, Wilson, C. Johnston

No: -

Absent: McCormick, Towner

Abstain: -

V. STANDING ITEM

- A. Receive an Oral Update on Pensionable Compensation and PEPRA.

Received an oral report from Board Counsel on the status of CalPEPRA and AB 1380.

No action taken.

VI. INVESTMENT INFORMATION

- A. Annual Investment Presentation, Reams Asset Management – Mark M. Egan, CFA, Managing Director and Portfolio Manager. (30 Minutes).

Mark M. Egan was present on behalf of Reams Asset Management to review the firm's organization, investment results for VCERA's accounts, investment process and outlook.

No action taken.

- B. Annual Investment Presentation, Western Asset Management – Karlen Powell, Client Service Executive, Jim Flick, Head of Global Client Services & Marketing, Mark Lindbloom, Portfolio Manager. (30 Minutes).

Karlen Powell, Jim Flick and Mark Lindbloom were present on behalf of Western Asset Management to review the firm's organization, investment results for VCERA's accounts, investment process and outlook.

No action taken.

- C. Hewitt EnnisKnupp, John J. Lee, Partner, and Kevin Chen.

1. Monthly Manager Performance Report, September 2013.

MOTION: Receive and file the Report.

Moved by Hintz, seconded by Foy.

Vote: Motion carried

Yes: Foy, Goulet, Henderson, Hintz, T. Johnston, Sedell,
Wilson, C. Johnston

No: -

Absent: McCormick, Towner

Abstain: -

2. Highlights and Research, October 2013.

Bridgewater and Tortoise Investment Guidelines.

MOTION: Approve Tortoise Investment Guidelines and direct HEK to bring the Bridgewater Investment Guidelines back to the November 18, 2013 Business meeting.

Moved by Goulet, seconded by C. Johnston.

Vote: Motion carried
Yes: Foy, Goulet, Henderson, Hintz, T. Johnston, Sedell,
Wilson, C. Johnston
No: -
Absent: McCormick, Towner
Abstain: -

Western Asset Management Update.

MOTION: Not finalize the agreement with Western Asset Management until NEPC has reviewed and made a recommendation for the TRU Investment category.

Moved by Goulet, seconded by Sedell.

Vote: Motion carried
Yes: Foy, Goulet, Henderson, Hintz, T. Johnston, Sedell,
Wilson, C. Johnston
No: -
Absent: McCormick, Towner
Abstain: -

Proxy Vote Memo.

MOTION: Receive and file the Proxy Vote Memo.

Moved by Goulet, seconded by Henderson.

Vote: Motion carried
Yes: Foy, Goulet, Henderson, Hintz, T. Johnston, Sedell,
Wilson, C. Johnston
No: -
Absent: McCormick, Towner
Abstain: -

Market Environment, Government Shutdown & Debt Ceiling, US Growth vs. Value, Medium Term Views.

MOTION: Receive and file.

Moved by Hintz, seconded by T. Johnston.

Vote: Motion carried
Yes: Foy, Goulet, Henderson, Hintz, T. Johnston, Sedell,
Wilson, C. Johnston
No: -
Absent: McCormick, Towner
Abstain: -

- D. Approval and Execution of the NEPC Investment Consulting Agreement.

MOTION: Continue the item to the November 4, 2013 Board meeting.

Motion by Hintz, seconded by Goulet.

Vote: Motion carried

Yes: Foy, Goulet, Henderson, Hintz, T. Johnston, Sedell, Wilson, C. Johnston

No: -

Absent: McCormick, Towner

Abstain: -

VII. NEW BUSINESS

- A. Receive and File Opal Investment Trends Summit Report - Goulet.

MOTION: Receive and file the Report.

Motion by Goulet, seconded by T. Johnston.

Vote: Motion carried

Yes: Foy, Goulet, Henderson, Hintz, T. Johnston, Sedell, Wilson, C. Johnston

No: -

Absent: McCormick, Towner

Abstain: -

- B. Travel Authorization Request for Henry Solis.

MOTION: Approve the Travel Authorization Request.

Motion by Foy, seconded by Sedell.

Vote: Motion carried

Yes: Foy, Goulet, Henderson, Hintz, T. Johnston, Sedell, Wilson, C. Johnston

No: -

Absent: McCormick, Towner

Abstain: -

C. Request for Approval of Lease Amendment.

MOTION: Approve the Lease Amendment with changes noted to include a provision under 1.b. that no further rental payments are due or owing for Suite 106 as of the date of vacation.

Motion by Hintz, seconded by T. Johnston.

Vote: Motion carried

Yes: Foy, Goulet, Henderson, Hintz, T. Johnston, Sedell, Wilson, C. Johnston

No: -

Absent: McCormick, Towner

Abstain: -

VIII. CLOSED SESSION

1. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to subdivision (b) of section 54956.9: 1 Potential Case. CLAIMANT: MICHAEL KOEVENIG.

No reportable action.

IX. PUBLIC COMMENT

Don C. Stracke, NEPC, Inc. commented they have not downgraded Western Asset and have them as a "hold." NEPC will prepare a report and present it at the Board meeting of December 16, 2013.

X. BOARD MEMBER COMMENT

Board members commented on new configuration of the Board Room.

Bill Bartels, GreenSource, Inc. answered questions from Board members about the new configuration of the Board Room.

XI. ADJOURNMENT

The meeting was adjourned at 11:24 a.m.

Respectfully submitted,



DONALD C. KENDIG, Retirement Administrator

Approved,

WILLIAM W. WILSON, Chairman

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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November 4, 2013

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

SUBJECT: RECEIVE AND FILE MONTHLY PAS REPORT FOR SEPTEMBER 2013

Dear Board Members:

Background

On September 9, 2013, the Board directed the Retirement Administrator to provide monthly PAS (VCERIS) project status reports.

Discussion

Please find September's monthly report attached. Normally, there would be a quarterly report provided during this meeting; however, Brian Colker is unavailable to provide the report due to a scheduling conflict. He will provide a quarterly report to the Board at the November 18 Business meeting and will provide the next quarterly report to the Board during the regularly scheduled meeting (February's Disability meeting).

Conclusion and Recommendation

Board Counsel has reviewed this item and we would be happy to respond to any questions you may have on this matter.

Sincerely,



Donald C. Kendig, CPA
Retirement Administrator

Attachments (1)



Project Status Report: PAS Project



Reporting to: VCERA
Written by: Kim Zierath

Report Date: 10/15/13
Reporting Period: 09/01/2013 – 09/30/2013

Project Segment: Deployment Phase – Rollout 1

September project activities focused on Segment D, Track 2 design and testing activities, completing Segment C and Segment D, Track 1 testing activities, and continuing data conversion.

The following activities were conducted in September:

Project Management:

- Vitech reviewed the Requirements Traceability Matrix (RTM) and determined that there are clean-up and realignment efforts that are needed. Vitech completed those efforts and the changes are now being reviewed by the VCERA Subject Matter Experts (SMEs). The full review and sign-off for changes are expected to be completed by 10/4/13.
- VCERA recently discovered needs to further investigate compliance with Internal Revenue Service (IRS) Non-Resident Alien Tax Reporting requirements. The project team met to discuss what policies and processes would be needed to fully comply. Vitech identified alternative approaches and provided them for VCERA to evaluate and determine which alternative is the appropriate one for them. Once VCERA makes that determination, Vitech can evaluate and estimate the effort required to implement the requirements in V3. No requirements for this functionality were included in the original RFP. Some alternatives presented to VCERA included manual solutions that could be implemented outside of V3.
- The project team met with Novanis on 09/18/13 to discuss the Liberty conversion and to review the details of the Statement of Work (SOW) Novanis submitted last year. During initial discussions with Novanis after the project kick-off in 2012, Novanis indicated that VCERA would be required to purchase a conversion tool for \$24,000, however they also indicated there may be lower cost alternatives if VCERA did not want to convert all Liberty elements (such as annotations). During the discussion on 09/18, Novanis said there was no alternative, VCERA would have to purchase the tool. They also were unable to provide detailed answers to many of the conversion questions presented by Vitech (such as what native image format(s) would be provided). Novanis said they would need to prepare a new SOW, and various comments throughout the meeting indicated they may be increasing their estimate of hours required for various activities. Vitech provided a list of specific elements that need to be addressed in the new SOW to VCERA for review. Once the review is complete, the data will be forwarded to Novanis. In general, the project team has a significant number of concerns regarding Novanis' approach to the conversion.
- VCERA is interested in securing office space that is available on the second floor. Vitech and Linea were asked to view the space and determine if it could be used by the project team. Kim and Jerry, of Linea, Hammad of Vitech, and Rebekah, of VCERA, viewed the space and determined that it could be used if one interior dividing wall was removed.



Project Status Report: PAS Project



Reporting to: VCERA
Written by: Kim Zierath

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The team is not certain that all project resources will fit in the space. If necessary, Kim and Jerry can occupy VCERA space made available from the transfer of two additional VCERA SME's to the project in the new space. It is not ideal for the project team to be split up, but it is workable if necessary. The hope is that all resources will fit in the new space. VCERA is exploring low cost furniture options to accommodate.

- The Steering Committee (SC) made the decision to move the SC meetings back to bi-weekly, and hold additional meetings as necessary. That was the original schedule, however in order to address the significant project issues that were occurring during the project re-planning period, the meetings were moved to weekly. Now that the project is on schedule and progressing as expected, bi-weekly meetings are appropriate again. The SC will monitor the effectiveness of bi-weekly meetings.
- The Segment D, Track 1 design document was signed-off by Julie and Hammad on 9/5/13 and Kim signed off on 9/16/13.
- Vitech and MBS have both indicated concerns with the number of data conversion hours they each have remaining in their contracts. There are several issues which have contributed to these concerns:
 - The need to write two scripts for most conversion elements. This is the biggest contributing factor to the number of hours that have been used to date. It was not known until data mapping began that it would be necessary to write two separate scripts for almost all data elements. This is required because the data that is stored in RDBS is in two separate formats that are very different. There is data from the current payroll system, PS and there is data from the previous payroll system, PPS. The complexity of mapping each data type differently and then coding the scripts for each data type differently required significantly more hours than were estimated. This condition was not known by VCERA staff, or contractors, during the procurement process.
 - Additional scope was added to Rollout 1 data conversion requirements early in the project. Under the original multi-phase project plan, it was not known by Vitech that any disbursements would be required for Rollout 1. Based on the requirements that were presented in the RFP, it was their understanding that disbursements were made through ADP, which meant it would be a Rollout 2 activity. While in design for Rollout 1 functionality, it was discovered that one-time payments (such as death benefits, refunds, etc.) were processed through RDBS. This meant that functionality for those one-time payments would have to be included in Rollout 1. Vitech implemented a "disbursements lite" sprint to implement the basic functionality that would be needed to complete those disbursements, with the full disbursements functionality to be developed in Rollout 2. This means that at least some data conversion mapping / coding had to be completed in Rollout 1. Those activities were completed. Then, through necessity, the project plan was changed to the "big bang" approach. This means that the "disbursements lite" functionality is no longer necessary. Design for disbursements is now only necessary one time in the schedule for the full disbursements



Project Status Report: PAS Project



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Report Date: 10/15/13
Reporting Period: 09/01/2013 – 09/30/2013

functionality. It was hoped that the initial data mapping / coding efforts would be usable as-is when the disbursement functionality was addressed, but after evaluation of what was done for the "lite" version, it was determined that the majority of the mapping / coding will have to be re-done, and the previous efforts are a sunk cost.

- Limited access to the legacy system administrator (CMP & Associates). Although the data conversion team has made tremendous progress in getting data conversion back on schedule after a late start, the limited number of hours available from the system administrator has had an impact. There have been several instances where it took the team a significant amount of time to figure out the data in order to make data mapping decisions. Active participation by the system administrator would likely have reduced the amount of time spent. There are very limited contract hours available for the system administrator's participation, and the data conversion team is using them sparingly.
- Brian reminded the SC that it is not completely unexpected for additional data conversion hours to be needed. Vendors submit their initial hours estimates without ever having seen the data or the source system, so once they have access to that, they are better able to assess the efforts that will be required to complete the conversion. This is why Brian directed VCERA to negotiate a reduced rate for additional data conversion hours (if needed) in the Vitech contract. Vitech agreed to provide any necessary additional data conversion hours at \$100/hr, which is a significantly lower than their normal rate.
- At this time, neither Vitech nor MBS can say with certainty if they will need additional hours, or estimate how many may be needed. Each will have a better assessment of their needs after the final data mapping JAD session in early October. Vitech and MBS will update the SC after their assessment is complete.
- The project team is taking steps to minimize the number of additional hours that may be necessary by either vendor. These steps include:
 - Minimizing the hours that are "charged" to data conversion. Vitech has stopped reporting time spent by Hammad and Haridas on data conversion activities as "data conversion" hours. They have been doing this already for approximately six months. Kim has not charged any hours to data conversion, even though she spends a significant amount of time each week on data conversion activities such as managing open data conversion issues, data conversion testing, and meetings.
 - Limiting mapping / coding efforts for elements with incomplete design. MBS is waiting to begin writing code for data conversion scripts on any data elements that may still have open design issues, which could potentially require coding changes based on issue resolutions. Although waiting minimizes the potential to spend hours writing code and then having to spend time rewriting that code, it also increases the potential that all data conversion activities cannot be completed within the project schedule. The team will closely monitor incomplete mapping / coding elements to avoid any schedule impacts.



Project Status Report: PAS Project



Reporting to: VCERA
Written by: Kim Zierath

Report Date: 10/15/13
Reporting Period: 09/01/2013 – 09/30/2013

- Evaluating the need to convert every data element. The project team is carefully evaluating all remaining data elements to determine if there is a business need to convert the data or if it can remain in its source system. For example, since VCERA will continue to use ADP for some services, it is possible that some data elements could be excluded from conversion because VCERA will still have access to them in ADP.
- Donald asked Vitech to explain V3's ability to track the Disability processes. Donald gave specific examples of the types of information that VCERA would need to be tracked, and Vitech indicated all of those data elements could be tracked. V3 does not have an "out of the box" disability process, it is designed and configured specifically for each customer. Vitech asked Donald to provide a detailed list of requirements for VCERA's new disability process and they can determine if there are any requirements that may be an issue. The project plan has the design for disability functionality scheduled for March of 2014, so there is time to address VCERA's needs through the design process. If VCERA has a requirement that requires significant configuration or customization that was not included in the original RFP, it is possible that it could be addressed through a customized V3 report rather than the configuration / customization process.

Implementation Phase – Rollout 1:

- Weekly build releases for Segment D Tracks 1 and 2 were received and Michelle and Rebekah continued creating test cases and identifying data requirements.
- Weekly test review and demo sessions continued to be held. These are very beneficial to ensuring report defects and issues are understood and adequately categorized and that new release functionality is operating as expected and understood by Michelle and Rebekah prior to them executing related tests.
- The project is on schedule per the current project plan.
- Continued working with plan sponsors to develop the new transmittal. Both plan sponsors are making progress.

Testing:

- Weekly test review and demo sessions for delivered functionality continued to be held. These are very beneficial to ensuring reported defects and issues are understood and appropriately categorized and that new release functionality is operating as expected and understood by Michelle and Rebekah prior to them executing related tests.



Project Status Report: PAS Project



Reporting to: VCERA
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- Testing statistics on delivered functionality as of 09/30/13:

Tests Run:	
Priority	# Tests Executed
High	265
Med	357
Low	105
Total Executed	727
Open Defects:	
Severity	# Open Bugs
High	6
Med	33
Low	32
Total Defects	71

(Note that these statistics are a snapshot as of the last day of the month. The number of tests run and open defects change daily.)

Data Conversion:

- Continued updating data mapping documents to reflect changes required as a result of new design requirements and data conversion issues. This will be a continual process through the end of the project.
- MBS updated/refined QA sheets for all files converted.
- The project team reviewed Cycle 6A Scorecards and is in the processing of addressing issues identified.
- The project team is still evaluating the "quitter's tape" ADP provided. It appears that the tape does not include all fields identified in the accompanying file layout provided by ADP, so ADP has been asked to provide an updated file layout and/or "quitter's tape".
- Continued having weekly data scorecard review sessions for open data conversion issues. The team determined the frequency of the meetings should be changed to bi-weekly for now.
- Data cleansing continued.

Infrastructure / Hosting:

- After significant research by Linea and Microsoft, it was determined that the email issues Linea was experiencing was due to a change County IT made blocking emails from foreign servers. Microsoft routes emails through servers in various countries, so this caused all Linea emails processed through those foreign servers to be blocked. County IT made a change to resolve the issue.



Project Status Report: PAS Project



Reporting to: VCERA
Written by: Kim Zierath

Report Date: 10/15/13
Reporting Period: 09/01/2013 – 09/30/2013

- The project team continued to experience network reliability issues. Debbie, of VCERA, and Jo Ford, of Linea, created a diagnostics tree to help troubleshoot/isolate the issues so a permanent solution could be identified. There is now a standing item on the SC agenda to review all recent network issues. It is important to find a solution to the issues because they are having a negative impact on the project's productivity.

Project risks are continually being assessed throughout the project duration. Risks will be added to the table below as they are identified.

ISSUES / RISKS – Explanation of Issues	MITIGATION – Explanation of Action Needed
<p>Auditor-Controller not able to provide transmittal requirements. This may result in an impact to the project schedule and loss of automation expected with V3.</p>	<p>Auditor-Controller has indicated they may not be able to provide all of the requirements identified in the transmittal specifications. We are working closely with Auditor-Controller to try to determine how much time they need to thoroughly analyze and develop the system enhancements that would be necessary to meet VCERA's requirements. We anticipate being able to provide the Board with the details and their time requirements at the May 6th Board meeting.</p> <p>UPDATE (10/1) – County counsel has not provided their written opinion yet. Continuing to monitor.</p> <p>UPDATE (9/1) – Auditor-Controller is aware of the data requirements and the proposed back-up solution. Auditor-Controller and VCERA are waiting for written County Counsel opinion supporting the requirements of Auditor-Controller to provide needed payroll data to VCERA. Both parties are open to other process alternatives that provide the necessary data. Continuing to monitor.</p> <p>UPDATE (8/1) – No change. Continuing to monitor.</p> <p>UPDATE (7/1) – Auditor-Controller has continued to work on identifying automated solutions to providing VCERA with the data required for V3. They have not provided an estimated time that they would be able to provide the data. We will continue to monitor this risk.</p> <p>UPDATE (6/1) – Auditor-Controller provided their initial response, generally indicating they would not provide the new information VCERA is requesting. The Board directed Auditor-Controller and VCERA to work together to find solutions that would work. Both offices are committed to working together. Additionally, since Auditor-Controller's initial response was submitted, legal provided an opinion to Auditor-Controller that they are</p>



Project Status Report: PAS Project



Reporting to: VCERA
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	<p>legally required to provide the data being requested so they now understand a solution is required. The change to the big bang approach will allow additional time to develop the best solutions. Auditor-Controller has contracted with the original developer for VCHRP to analyze what system changes would be needed and how long it would take to implement those changes. Once we have the results of that analysis we may be able to remove this risk.</p> <p>UPDATE (5/1) – Auditor-Controller informed us on 4/29 that they were just finishing their response to our formal request and would deliver it to VCERA on Friday, 5/3. This will not provide us adequate time to review their response and prepare options to present to the Board at the May 6th Board meeting. We will work to complete the analysis and prepare our proposed options as quickly as possible.</p> <p>UPDATE (4/1) – We are preparing a formal request for the critical data required from Auditor-Controller. The request will ask them to provide us a timeline they would need to fully analyze/develop the system enhancements they would need to provide the data. We do not anticipate having their response in time to present to the Board at the May 6th Board meeting. We will present to the Board as soon as we have the information and can create a revised plan proposal.</p>
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Project Status Report: PAS Project



Reporting to: VCERA
Written by: Kim Zierath

Report Date: 10/15/13
Reporting Period: 09/01/2013 – 09/30/2013

The milestones below have been changed to reflect the new implementation plan approved 7/15/13.

Work Segments

Deployment Phase - Rollout 1 Project Plan Tasks	% Complete	Milestone Date	Date Completed
Segment A Data Mapping Documents Completed	100%	10/26/2012	11/30/2012*
Segment A Functionality Completed	100%	11/30/2012	11/30/2012
Segment B Data Mapping Documents Completed	100%	12/28/2012	1/28/2013*
Segment B Functionality Completed	100%	02/22/2013	4/5/2013
Segment C Functionality Completed	100%	04/12/2013	6/28/2013
Segment D Track 1 Functionality Delivered	100%	09/02/2013	9/5/2013
Segment D Track 2 Functionality Delivered	25%	12/30/2013	
Segment F Functionality Delivered	10%	3/24/2014	
Segment G Functionality Delivered	10%	7/28/2014	
Segment H Functionality Delivered	15%	8/25/2014	
Parallel Testing of Transmittal Files Begins	0%	10/20/2014	
Segment I Functionality Delivered	10%	12/29/2014	
UAT Begins	0%	3/20/2015	
VCERA Accepts System for Production	0%	7/6/2015	

*Please note that data mapping updates can occur throughout the project as a result of new functionality design. The 100% completion indicates initial data mapping efforts are complete.



Project Status Report: PAS Project



Reporting to: VCERA
Written by: Kim Zierath

Report Date: 10/15/13
Reporting Period: 09/01/2013 – 09/30/2013

Vitech Contract Limits

Contract-Limited Item	Contract Limit	Currently Assigned to Vitech/Used	Number Remaining for Vitech
Documents / Letters	20	12	8
Reports / Queries	25	7	18
Workflows	10	11	0
Interfaces	6	3	3
Data Conversion Hours	3,500	2,671.50	828.50

Planned Tasks for Next Period

- Continue working with Auditor-Controller and VRSD to develop solutions for the transmittal files.
- Review a potential solution identified by Auditor-Controller for retroactive adjustments.
- Conduct RIS and ADP data conversion JAD.
- Continue analyzing data extracted from RDBS and loaded into V3.
- Receive new "quitter's tape" from ADP and continue analyzing to determine data conversion plan and alternatives.
- Receive and evaluate new SOW from Novanis.
- Continue conducting data cleansing activities.
- Finalize Segment C testing.
- Continue writing test cases for Segment D functionality and identifying data requirements.
- Continue executing Segment D testing.



Project Status Report: PAS Project



Reporting to: VCERA
Written by: Kim Zierath

Report Date: 10/15/13
Reporting Period: 09/01/2013 – 09/30/2013

Signatures

The content of this report has been reviewed and approved by:

Donald Kendig
Retirement Administrator
VCERA Project Sponsor

10/28/2013
Date

Hammad Zaigham
Vitech Project Manager

10/28/2013
Date

Kim Zierath
Linea Project Manager

10/28/13
Date

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>

November 4, 2013

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

SUBJECT: APPROVAL AND EXECUTION OF THE NEPC, INC. INVESTMENT CONSULTING AGREEMENT

Dear Board Members:

Background

On October 21, 2013, a proposed agreement was presented to the Board and the Board continued the item to November 4, 2013 in order for staff to make requested amendments.

Previously, on February 4, 2013, the Board formulated an Ad Hoc RFP Committee and hired Cortex Applied Research, Inc. to conduct a search for investment consulting services. On September 9, 2013, the Board received finalist presentations from NEPC, Inc. (NEPC), Strategic Investment Solutions, and Wurts, selecting NEPC as VCERA's General Investment Consultant, replacing Hewitt EnnisKnupp, an Aon company (HEK).

Discussion

Attached is the proposed agreement. The commencement date of the agreement is November 1, 2013, for an initial annual fee of \$275,000 payable quarterly, subject to annual increases. If approved by the Board, staff requests authorization to provide HEK with a 30-day notice pursuant to the terms of its agreement with VCERA. This will provide a small overlap for the transitioning of consulting and reporting services. HEK's last monthly report will be for the month of October 2013 and last quarterly report for the period of July 1 to September 30, 2013. NEPC's first monthly report will be for the month of November 2013, with its first quarterly report for the period of October 1 to December 31, 2013.

This Board letter has been reviewed by Board Counsel and the agreement language has been reviewed by NEPC, the Ad Hoc RFP Committee members, and Board Counsel. NEPC has provided evidence of insurance coverage.

**APPROVAL AND EXECUTION OF THE NEPC INC.
INVESTMENT CONSULTING AGREEMENT**

November 4, 2013

Page 2 of 2

Fiscal Impact

VCERA has a current (January 1 to December 31, 2013) contract with HEK at an annual cost of \$244,200 (or a monthly cost of \$20,350) payable in advance quarterly. In the event of termination, quarterly consulting fees shall be prorated up to and including the effective date of termination with any unearned portion of such fee refunded to VCERA. The proposed agreement with NEPC, commencing November 1, has an initial annual cost of \$275,000 (or a monthly cost of \$22,917).

Investment costs are not subject to the annual administrative budgeting process; however, the costs for fiscal year 2013-14 are anticipated to be \$288,475 (\$105,142 for HEK and \$183,333 for NEPC) previously reported as \$278,978 on October 21, 2013. This increase is due to continuing the approval of the NEPC agreement to November 4, 2013, thereby delaying HEK's termination.

Recommendation

Staff recommends authorizing the Chair to execute the agreement by NEPC and authorizing staff to send HEK a 30-day notice of termination.

Sincerely,



Donald C. Kendig, CPA
Retirement Administrator

Attachments (1)

AGREEMENT FOR INVESTMENT CONSULTING SERVICES

This is an agreement (“Agreement”) between NEPC, LLC (“NEPC” or “Consultant”) and Ventura County Employees’ Retirement Association (“VCERA” or the “Client”) for consulting services provided by NEPC. The assets of the Client with respect to which services will be provided by NEPC under this Agreement are referred to herein as the “Account”.

1. Consulting Services. Consulting Services provided by NEPC shall include but not limited to:

A) Investment Policy and Asset Allocation

- (1) Upon engagement, and annually thereafter, conduct a comprehensive review and analysis of investment policies, objectives, asset allocation and portfolio structure, and recommend changes, if appropriate. Review and update VCERA’s investment policy statement.
- (2) Work with staff and the actuary and conduct an asset/liability study of the fund at least every three years, including recommending methodologies, assumptions, asset classes for consideration, and alternative asset allocations.
- (3) Develop an appropriate investment management structure for VCERA and each asset class that considers the role of active versus passive strategies and investment management styles under different market conditions.
- (4) Analyze the investment characteristics of available asset classes and the risk/return potential of alternative asset mix policies.
- (5) Develop policies, guidelines and procedures for rebalancing the asset mix.
- (6) Advise VCERA about new developments in investment management techniques and portfolio management strategies. Analyze how new techniques might improve the investment program and provide advice as to whether they should be implemented.
- (7) Provide advice and recommendations on various other investment policy issues including, but not limited to: currency management, derivatives, rebalancing, use of soft dollars, securities lending, proxy voting, etc.

B) Investment Manager Search, Selection and Review

- (1) Provide advice and recommendations on investment manager allocation and structure, manager mandates and performance benchmarks.
- (2) Provide ongoing monitoring and oversight of investment managers to ensure compliance with laws and regulations, investment policies and manager mandates. Have periodic discussions with managers on investment performance and organizational issues (such as changes in ownership, staff, new products, etc.). Report to the Board as necessary.
- (3) Advise on manager retention/termination, and develop a formal manager review process.
- (4) Provide investment manager search and selection services from time to time and make recommendations as necessary.
- (5) Assist in negotiating appropriate investment management fees and with monitoring and evaluating manager trading and transaction costs.
- (6) Participate in Board due diligence visits.

- (7) Investment Manager Services include alternative asset strategies, defined as hedge fund-of-funds, private equity fund-of-funds, and real estate funds (but not direct investment in hedge funds or private equity funds). With respect to funds-of-funds, it is understood that recommendations and ongoing monitoring are conducted at the fund-of-funds level and will not generally include a direct review of underlying funds.
- C) Performance Monitoring and Reporting
- (1) Compare the investment performance of the total fund, asset classes and investment managers to relevant benchmarks and “peer group” samples.
 - (2) Conduct performance attribution analysis to determine the value added by investment policy, asset allocation and security selection.
 - (3) Prepare and present quarterly performance reports, including attribution analyses, and monthly performance summaries to the Board.
 - (4) Recommend appropriate performance benchmarks for the total fund, each asset class, portfolio composite and investment manager.
 - (5) Provide access to performance evaluation and attribution analytics, tools, and software as it becomes available to NEPC clients.
- D) Client Service and Education
- (1) Attend 11 regular monthly meetings of the Board and 1 investment retreat, as well as special meetings pertaining to investments that may be necessary from time to time.
 - (2) Formulate, under the direction of the Board, the agenda of the full-day investment retreat.
 - (3) Coordinate effectively with staff, the actuary and the custodian bank.
 - (4) Respond to inquiries between meetings in an appropriate and timely manner.
 - (5) Report any significant changes in the firm’s ownership, organizational structure and personnel in a timely manner.
 - (6) Assist on special projects as needed from time to time.
 - (7) Provide all other investment advisory related services as requested, provided such service requests are reasonably included within the scope of general investment consulting services.
 - (8) Provide education to Board and staff on investment issues and participate in ad hoc workshops as requested by the Board from time to time.
 - (9) Make available all firm research, including proprietary research, and provide consultation with research staff.
- E) Review, Search and Selection of Other Investment-Related Vendors
- (1) Provide advice and recommendations on custodial arrangements, (including conducting custodian review and search services, securities lending, and securities litigation processing).
 - (2) Assist with evaluation, search and selection involving other investment-related consultants and vendors as required.

2. Fees. The annual fee for the above enumerated services will be:

- A) Year 1: \$275,000 (equivalent for billing purposes to \$68,750 per quarter).
- B) Year 2: \$283,000 (equivalent for billing purposes to \$70,750 per quarter).
- C) Year 3: \$290,000 (equivalent for billing purposes to \$72,500 per quarter).
- D) Year 4: \$300,000 (equivalent for billing purposes to \$75,000 per quarter).
- E) Year 5: \$310,000 (equivalent for billing purposes to \$77,500 per quarter).
- F) The total fees paid through Year 1 to 5 will be \$1,458,000.

- G) Should no fee agreement be reached for years subsequent to Year 5, and no notice of termination be provided, subsequent fees will be \$310,000 (equivalent for billing purposes to \$77,500 per quarter).
 - H) Fees will be billable quarterly, in arrears, net 30, on February 1, May 1, August 1, and November 1.
3. Attendance at Meetings. In accordance with Section 1.D)(1) above, Consultant shall meet with the Board monthly, excluding August, at the time and place designated by the Board for its Business Board meeting, and once annually for its full-day Investment Retreat. Consultant agrees that Consultant shall include twelve (12) on-site visits to Ventura, California for the purpose of attending these meetings per calendar year over the term of this Agreement as requested by the Board or VCERA Retirement Administrator as part of its standard service and shall not receive any additional compensation therefor. If required to make more than twelve (12) on-site visits per calendar year over the term of this Agreement, Consultant shall be entitled to additional compensation on a time and expense basis, not to exceed Two Thousand Dollars (\$2000) per on-site visit. Consultant shall not be entitled to additional compensation for meetings held by conference call, regardless of number.
 4. Indemnification. Consultant agrees to indemnify, defend, and save harmless VCERA, its elected and appointed officials, its Board, its officers, agents and employees, and each of them, from and against any and all actions, claims, costs, demands, liabilities, losses, damages and expenses of any kind or character (including costs of defense, plus reasonable accounting and attorneys' fees) for injuries to persons, or damage to property, proximately caused by the negligence of Consultant or Consultant's officers, agents or employees. Consultant further agrees to indemnify, defend and hold harmless VCERA, its elected and appointed officials, its Board, its officers, agents and employees, and each of them, from and against any and all actions, claims, costs, demands, liabilities, losses, damages and expenses of any kind or character (including costs of defense, plus reasonable accounting and attorneys' fees) arising out of or in any way connected with any bad faith, violation of applicable law, negligent errors or omissions, willful misconduct, or material breach of this Agreement by Consultant or Consultant's officers, agents or employees in the provision of services under this Agreement or any failure to perform in accordance with the standard required of a fiduciary as provided herein.
 5. Standard of Care. Consultant hereby represents and warrants to, and agrees with, the Client that the Consultant is an "investment manager" and a "fiduciary," under the applicable law of the State of California, including without limitation the County Employees Retirement Law of 1937 (Cal. Gov't Code §§31450 et seq.), the Political Reform Act (Cal. Gov't Code §§ 87100 et seq., 87200 et seq.) and regulations promulgated thereunder and Article XVI, sec. 17 of the California Constitution (collectively, "California Law"), with respect to the Account. Consultant will conduct itself in accordance with the applicable standards under California Law, that it will provide services under this Agreement in a skillful and competent manner in accordance with the acceptable industry standards for professional investment consultants and shall perform all duties hereunder in accordance with the fiduciary standard required of VCERA's Board members, as provided in California Government Code Section 31595.

6. Insurance. At Consultant's sole cost and expense, Consultant shall obtain, and keep in force at all times during this Agreement, the following policies of insurance:
- A) Workers' Compensation Insurance. Consultant shall submit written proof that Consultant is insured against liability for workers' compensation in accordance with the provisions of Section 3700 of the California Labor Code.
 - B) Commercial General Liability Insurance, including, but not limited to, Contractual Liability Insurance (specifically concerning the indemnity provisions of this Agreement), Personal Injury (including bodily injury and death), and Property Damage for liability arising out of Consultant's performance of work under this Agreement. Such insurance coverage shall have minimum limits for bodily injury and property damage liability of One Million Dollars (\$1,000,000) each occurrence and Five Million Dollars (\$5,000,000) in aggregate, and a deductible of not greater than Twenty Thousand Dollars (\$20,000).
 - C) Automobile Liability Insurance against claims of Personal Injury (including bodily injury and death) and Property Damage covering all owned, leased, hired and non-owned vehicles used in the performance of services pursuant to this Agreement with minimum limits for Bodily Injury and Property Damage liability of One Million Dollars (\$1,000,000) per occurrence and Five Million Dollars (\$5,000,000) in aggregate, and a deductible of not greater than Twenty Thousand Dollars (\$20,000). Such insurance shall be provided by a business or commercial vehicle policy.
 - D) Professional Liability (Errors and Omissions) Insurance, for liability arising out of, or in connection with, the performance of all required services under this Agreement, with limits of not less than Ten Million Dollars (\$10,000,000) in aggregate and a deductible of not greater than One Million Dollars (\$1,000,000).

If any of the insurance coverages required under this Agreement are written on a claims-made basis, the insurance policy shall provide an extended reporting period of not less than (i) four (4) years following the completion of all work performed by Consultant specified in this Agreement or (ii) the period of time during which any applicable statute of limitations remains unexpired, whichever is later.

All insurance shall be issued by a company or companies listed in the current "Best's Key Rating Guide" publication with a minimum of an "A / VII" rating with a "stable" or better outlook. Unless otherwise specified elsewhere in this section, all insurance coverages required to be maintained by Consultant shall be maintained until the completion of all of Consultant's obligations under this Agreement. The scope of coverage or limits provided thereunder shall not be reduced, modified, or canceled by the Consultant without thirty (30) days prior written notice to VCERA. Should any of the insurance coverages specified herein be adversely modified or canceled, by the insurance provider(s), Consultant shall provide written notice to VCERA within three (3) business days. In all instances, Consultant shall use its best efforts to replace the canceled or modified coverage with comparable coverage as soon as practicable. Failure by Consultant to maintain all such insurance in effect at times required by this Agreement shall be a material breach of this Agreement by Consultant. VCERA, at its sole option, may terminate this Agreement and obtain damages from Consultant resulting from such breach. Alternatively, VCERA may purchase such required insurance coverage, and without further notice to

Consultant, VCERA shall deduct from sums due to Consultant any premiums and associated costs advanced or paid by VCERA for such insurance. If sums due Consultant pursuant to this Agreement are insufficient to reimburse VCERA for the premiums and any associated costs, Consultant agrees to reimburse VCERA for the premiums and pay for all costs associated with the purchase of such insurance.

Insurance coverages in the minimum amounts set forth herein shall not be construed to relieve Consultant for any liability, whether within, outside, or in excess of such coverage, and regardless of solvency or insolvency of the insurer that issues the coverage; nor shall it preclude VCERA from taking such other actions as are available to it under any other provision of this Agreement or otherwise in law.

7. Interpretation. For purposes of construction and interpretation this Agreement shall be deemed to have been mutually drafted by the parties hereto and shall not be construed against any one party. In the event that there are any inconsistencies or ambiguities between the terms of this Agreement and the documents identified below, which are hereby incorporated by reference, the following precedence shall be used to interpret this Agreement's requirements:

- A) Applicable state laws.
- B) Terms and conditions of this Agreement, including any exhibits.
- C) VCERA's Request for Proposal.
- D) Consultant's response to VCERA's Request for Proposal, dated April 16, 2013.
- E) Any other provisions, terms or materials incorporated herein by reference or otherwise incorporated herein.

8. Representations and Warranties. Consultant makes the following representations and warranties, which are agreed to be material to and form a part of the inducement for this Agreement, and shall immediately notify VCERA in writing in the event that any of the representations and warranties contained herein cease to be true:

- A) Consultant has the expertise, support staff and facilities necessary to provide the services described in this Agreement;
- B) Consultant provides full service investment consulting services to clients with aggregate assets totaling at least \$5 billion;
- C) Consultant has been in business at least three (3) years as of December 31, 2012;
- D) The Primary Consultant has a minimum of seven (7) years experience providing investment consulting services to public and/or private pension plans, the last three years of which have been with Consultant, and possesses the skills of a seasoned investment consultant with at least 7 years of actual investment consulting experience. Therefore, over and above, and in addition to, Consultant's fiduciary obligations as provided for under this Agreement, the Primary Consultant shall at all times exercise at least that degree of care and competence as would a seasoned investment consulting professional with at least 7 years of actual investment consulting experience;
- E) Consultant has at least three (3) public pension fund clients, one of which has assets in excess of one (1) billion U.S. dollars as of December 31, 2012;

- F) Consultant is registered as an investment advisor under the Investment Advisers Act of 1940 and shall maintain such registration at all times during the term of this Agreement;
 - G) Consultant has completed, obtained and performed all registrations, filings, approvals, authorizations, consents or examinations required by any government or governmental authority, including the State of California, for acts contemplated under this Agreement;
 - H) Consultant does not have any actual or potential interests adverse to VCERA nor does Consultant represent a person or firm with an interest adverse to VCERA with reference to the subject of this Agreement; and
 - I) Consultant shall diligently provide all required services in a timely and professional manner in accordance with the terms and conditions stated in this Agreement.
 - J) Soft Dollar Arrangements. Consultant confirms and covenants that there will not be any "soft dollar and directed brokerage arrangements" as defined in California Government Code §6930(b) in connection with this Agreement and its services hereunder.
9. Conflicts of Interest. Consultant has read and is aware of the provisions of Section 1090 et seq. and Section 87100 et seq. of the California Government Code relating to conflict of interest of public officers and employees. Consultant agrees that it is unaware of any financial or economic interest of any public officer or employee of VCERA relating to this Agreement. It is further understood and agreed that if such a financial interest does exist at the inception of this Agreement, VCERA may terminate this Agreement upon one day written notice to Consultant. Consultant and its officers, agents and employees shall comply with the requirements of California Government Code Section 87100 et seq. during the term of this Agreement and understands, acknowledges and agrees that Consultant's staff providing services pursuant to this Agreement are required to file and shall timely file annual statements of economic interest pursuant to California state law and VCERA's Conflict of Interest policy.

Consultant agrees that all of its directors, officers, employees and agents who provide services with respect to VCERA shall comply with applicable federal, state and VCERA Conflict of Interest and Placement Agent Disclosure requirements. Consultant represents and warrants that it has received and read a copy of VCERA's Placement Agent Policy adopted as of December 20, 2010 (the "Policy") and that it and all of its directors, officers, employees and agents who provide services with respect to VCERA are in full compliance with such Policy. Furthermore, such parties shall comply with the Policy as it may be amended from time to time. Consultant acknowledges and agrees that it is an "External Manager" as such term is defined in the Policy. Consultant shall immediately notify VCERA in writing of any violation of the Policy or VCERA's Conflict of Interest policy.

Consultant shall not directly or indirectly receive any benefit from recommendations or advice made to VCERA and shall immediately disclose in writing to VCERA any investment or economic interest of Consultant that may be enhanced by the recommendations made to VCERA.

10. Responsibility of Consultant. Consultant shall have no responsibility or authority to (i) manage or in any way direct the investment of any assets of the Client or (ii) enter

into any agreement with any investment manager on behalf of, or otherwise bind, the Client. Nothing contained herein shall require the Client to engage any investment manager recommended by Consultant or to follow any advice provided by Consultant. Consultant has no responsibility for voting any proxies solicited by or with respect to issuers of securities in which the assets of the Client may be invested from time to time. Consultant has no responsibility for the selection of brokers or dealers to effect transactions in the Client's account.

For all purposes of this Agreement, Consultant shall be deemed to be an independent contractor and shall have no authority to act for or represent the Client in any way except as set forth expressly herein and shall not otherwise be deemed to be an agent of the Client. Nothing in this Agreement may be interpreted or construed to create any employment, partnership, joint venture or other relationship among Consultant and the Client.

11. Confidentiality. All work and activities conducted by Consultant for the Client shall be strictly confidential, and Consultant shall in no instance discuss the Client's account with the press or any other unaffiliated party, unless expressly authorized by the Client, provided that Consultant may identify the Client as a client of Consultant in routine marketing material and may disclose the Client's information to the extent required by law or for regulatory compliance purposes. The Client acknowledges that certain of the services Consultant offers and/or provides to the Client and other clients require the use and anonymous disclosure of client data, including portfolio performance and trading data ("Client Data"), in connection with the pooling of Client Data of clients of InvestorForce to form a performance universe (the "Performance Universe"). The Performance Universe is made available to clients of InvestorForce. The Client agrees that Consultant shall be deemed the owner of any Client Data relating to the Client that is pooled, or prepared by Consultant for pooling, in the Performance Universe.

12. Acknowledgments. The Client acknowledges and agrees that:

- A) Consultant has not made and cannot make any promise, guarantee or other statement or representation regarding the future investment performance of the Client's investments;
- B) the past performance of the accounts of other clients of Consultant is not necessarily indicative of the future performance of the Client's investments;
- C) in the performance of its services under this Agreement, Consultant shall be entitled to rely on information furnished by investment managers, it being understood that Consultant shall have no liability for the accuracy or completeness of any information furnished or representation made by the investment managers, provided Consultant conducted due diligence and evaluation of such investment managers with reasonable care; and
- D) to the extent permitted by applicable law, Consultant will not be liable for any losses or expenses incurred as a result of any action or omission by an investment manager, custodian or unrelated third party.

13. Miscellaneous. Consultant may act as investment consultant or advisor for others, and nothing in this Agreement shall in any way be deemed to restrict the right of Consultant to perform investment advisory, consulting or other services for any other

person or entity, and the performance of such services for others shall not be deemed to violate or give rise to any duty or obligation to the Client or its trustees.

Consultant shall be permitted to give advice and take action with respect to the Client which differs from the advice made or recommended or actions taken with respect to such other accounts and clients even though the investment objectives may be the same or similar. Consultant shall not be obligated to give the Client treatment more favorable than or preferential to that provided to such other accounts and clients.

Nothing in this Agreement shall limit or restrict Consultant or any of its shareholders, officers, affiliates or employees from buying, selling, or trading in any securities for their own account or accounts. The Client acknowledges that Consultant and its shareholders, officers, affiliates and employees, and its other clients, may at any time have, acquire, increase, decrease, or dispose of positions in investments which are at the same time being acquired or disposed of for the account of the Client.

14. Applicable Law. This Agreement, in its interpretation and services performed hereunder, shall be governed by the laws of the County of Ventura and the State of California.
15. Venue. If either party to this Agreement initiates any legal or equitable action to enforce the terms of this Agreement, to determine the rights, obligations and/or duties of the parties under this Agreement, or which relates to this Agreement in any manner, VCERA and Consultant agree that the proper venue for any such action shall be the Superior Court of the State of California, in and for the County of Ventura.

NEPC, LLC

By: _____
Michael P. Manning, CFA, CAIA
Managing Partner

Acknowledged and agreed as of the date first written above:

Ventura County Employees' Retirement Association

By: _____
William W. Wilson
Chairman of the Board

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>

November 4, 2013

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

SUBJECT: STAFF NOTICE REGARDING CUSTODIAL FEE PROPOSAL

Dear Board Members:

Background

On May 20, the Board received updates from State Street Bank and Trust (State Street) on its securities lending and custodial services provided to VCERA. At that time Yolanda Diaz communicated that State Street would be bringing a fee proposal later in the year given the growth in VCERA's assets, accounts, and transactions, and decline in securities lending.

On July 15, 2013, the Board received an article from the Securities Lending Times (http://www.securitieslendingtimes.com/securitieslendingnews/article.php?article_id=218784) regarding custodian banks facing ratings reviews due to long-term profitability challenges due to aggressive pricing on custody products and services. It also indicated that the pricing in the core custody business is very competitive, resulting in narrow margins, which result in a reliance on revenue from ancillary services, such as securities lending, interest, and foreign exchange that are presently undergoing declines. The ratings review is on those ancillary services creating fee pressure.

On August 13, 2013, staff received an initial fee proposal and had a conference call with Ms. Diaz on August 16, 2013 to discuss the elements of the proposal and to share that VCERA was in the middle of a consultant search. Staff asked for more time, more historical data to support the proposal, and more options based on different securities lending splits and a Short Term Investment Fund (STIF) rate that matched the current agreement. Staff reported this key meeting in the Quarterly Retirement Administrator report received by the Board on October 21, 2013.

On October 9, 2013, staff received an updated fee proposal and had a conference call with Ms. Diaz on October 18, 2013 to discuss the additional options and the timing of presentation to your Board. Staff indicated to Ms. Diaz that an initial presentation with supporting data would likely be November 18, 2013, and if necessary, with an additional meeting December 16, 2013 to discuss further. State Street would like to see a new fee agreed to by the end of 2013.

STAFF NOTICE REGARDING CUSTODIAL FEE PROPOSAL

November 4, 2013

Page 2 of 3

Discussion

As reported in the Quarterly Retirement Administrator Report on October 21, 2013, there has been no fee increase since 2002 to the \$95,000 fee, and the fee guarantee expired a number of years ago. State Street has been gracious in its postponing of the commencement of fee negotiations given our known frustration with its organizational changes, and accuracy rates, which have since been rectified, as demonstrated at the August 12, 2013 site visit. Preliminary statistics in support of a fee increase indicate a tripling of assets under custodianship, a doubling of transactions (and in increase in more costly transactions), securities lending revenue falling by 64%, and our Short Term Investment Holdings (STIF) account balance falling by 51%. What this means is that our relationship with State Street is generating less income than in 2002, and VCERA is costing more to custody its assets.

As a result, fee negotiations have commenced with an initial presentation of the data to support proposed options. Further graciousness has been extended for staff workload considerations, and to allow for VCERA's review of the Securities Lending Agreement modification to allow for non-cash collateral, slightly increasing account revenues, and the retention of a new investment consultant.

In anticipation of an initial discussion by the Board, staff has requested Ms. Diaz provide a full explanation of the change in services and costs since 2002 and has sent California retirement systems a simple survey to obtain basic comparison data.

Staff is providing you this initial notification, along with the existing custodial agreement dated April 7, 1997, the current fee agreement effective June 2, 2002, and proposed fee options.

Staff seeks the Board's direction to 1) notify Hewitt EnnisKnup (HEK) and NEPC, Inc. (NEPC) of these proposed fees, 2) to transmit any additional Board questions or data requests to HEK, NEPC, or State Street, and 3) to request a) opinions on the proposal's reasonableness and b) recommendations on possible courses of action from HEK and NEPC, for initial consideration at the Board's November 18, 2013 Board meeting.

Fiscal Impact

VCERA has a current fee agreement of \$95,000 annually (or \$7,917 per month). A proposed fee matching the current securities lending split and STIF rate is \$325,000 (or \$27,083 per month), a \$230,000 increase annually.

Investment costs are not subject to the annual administrative budgeting process; however, assuming option 1 the costs for fiscal year 2013-14 are anticipated to be \$210,000 (\$47,500 + \$162,500) a \$115,000 increase.

STAFF NOTICE REGARDING CUSTODIAL FEE PROPOSAL

November 4, 2013

Page 3 of 3

Recommendation

This item and attachments have been reviewed by Board Counsel, HEK, NEPC, and State Street.

Staff recommends receiving and filing this staff notification and providing direction to 1) notify Hewitt EnnisKnup (HEK) and NEPC, Inc. (NEPC) of these proposed fees, 2) to transmit any additional Board questions or data requests to HEK, NEPC, or State Street, and 3) to request a) opinions on the proposal's reasonableness and b) recommendations on possible courses of action from HEK and NEPC, for initial consideration at the Board's November 18, 2013 Board meeting.

Sincerely,



Donald C. Kendig, CPA
Retirement Administrator

Attachments (3)

RECEIVED
APR 2 - 1997
Via airmail Exp.
**VENTURA COUNTY EMPLOYEES
RETIREMENT ASSOCIATION**

CUSTODIAN CONTRACT

Between

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

And

STATE STREET BANK AND TRUST COMPANY

blrs\pubcust.doc
8/96

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CUSTODIAN CONTRACT

This Contract between the VENTURA COUNTY EMPLOYEE'S RETIREMENT ASSOCIATION, hereinafter called the "Association" or "Fund" as the context requires, and STATE STREET BANK AND TRUST COMPANY, a Massachusetts trust company, having its principal place of business at Boston, Massachusetts, USA, hereinafter called the "Custodian".

WITNESSETH:

That in consideration of the mutual covenants and agreements contained herein the Association and the Custodian agree as follows:

1. EMPLOYMENT OF CUSTODIAN AND PROPERTY TO BE HELD BY IT.

The Association hereby employs the Custodian as the custodian of the assets of the Ventura County Employee's Retirement Association. All property delivered to the Custodian, its agents or its subcustodians shall be held and dealt with as hereinafter provided. The Custodian shall not be responsible for any property of the Association not delivered to the Custodian, its agents or its subcustodians.

2. DUTIES OF THE CUSTODIAN WITH RESPECT TO PROPERTY HELD BY THE CUSTODIAN

2.1 Holding Securities. The Custodian shall hold, or direct its agents or its subcustodians to hold, for the account of the Association all securities and other noncash property other than securities which are held by the

Custodian, its agents or subcustodians in the Federal Reserve book-entry system, in a clearing agency which acts as a securities depository or in another book-entry system for the central handling of securities collectively referred to herein as "Securities System".

2.2 Delivery of Securities. The Custodian shall release and deliver, or direct its agents or its subcustodians to release, securities of the Association held by the Custodians, its agents or its subcustodians or in a Securities System account of the Custodian, its agents or its subcustodians only upon receipt of Proper Instructions (as defined in Section 2.10 herein), which may be standing instructions, in the following cases:

(a) Upon sale of such securities for the Association, unless otherwise directed by Proper Instructions; (i) in accordance with the customary or established practices and procedures in the jurisdiction or market where the transactions occur, including, without limitation, delivery to the purchaser thereof or to a dealer therefor (or an agent of such purchaser or dealer) against expectation of receiving later payment; or (ii) in the case of a sale effected through a Securities System, in accordance with the rules governing the operations of the Securities System;

(b) Upon the receipt of payment in connection with any repurchase agreement related to such securities;

(c) To the depository agent in connection with tender or other similar offers for securities;

(d) To the issuer thereof or its agent when such securities are called, redeemed, retired or otherwise become payable; provided that, unless otherwise directed by Proper Instructions, the cash or other consideration is to be delivered to the Custodian, its agents or its subcustodians;

(e) To the issuer thereof, or its agent, for transfer into the name of the Custodian or of any nominee of the Custodian or into the name of any of its agents or subcustodians or their nominees or for exchange for a different number of bonds, certificates or other evidence representing the same aggregate face amount or number of units;

(f) To brokers, clearing banks or other clearing agents for examination in accordance with "street delivery" custom;

(g) For exchange or conversion to any plan of merger, consolidation, recapitalization, reorganization or readjustment of the securities of the issuer of such securities, or pursuant to provisions for conversion contained in such securities, or pursuant to any deposit agreement; provided that, unless otherwise directed by Proper Instructions, the new securities and cash, if any, are to be delivered to the Custodian, its agents or its subcustodians;

(h) In the case of warrants, rights or similar securities, the surrender thereof in the exercise of such warrants, rights or similar securities or the surrender of interim receipts or temporary securities; provided that, unless otherwise directed by Proper Instructions, the new securities and cash, if any, are to be delivered to the Custodian, its agents or its subcustodians;

(i) For delivery as security in connection with any borrowings by the Fund requiring a pledge of assets by the Fund

(j) In connection with trading in options and futures contracts, including delivery as original margin and variation margin;

(k) In connection with securities lending by the Fund; and

(l) For any other purpose, but only upon receipt of Proper Instructions specifying the securities to be delivered and naming the person or persons to whom delivery of such securities shall be made.

2.3 Registration of Securities. Securities held by the Custodian, its agents or its subcustodians (other than bearer

securities or securities held in a Securities System) shall be registered in the name of the Custodian or in the name of any nominee of the Custodian or in the name of any of its agents or its subcustodians or of their nominees. The Custodian, its agents and its subcustodians shall not be obligated to accept securities on behalf of the Fund under the terms of this Contract unless such securities are in "street name" or other good delivery form.

2.4 Bank Accounts. The Custodian, its agents or its subcustodians may open and maintain a bank account or accounts in the name of the Custodian or otherwise, in such banks or trust companies as they may in their discretion deem advisable (including a bank of the Custodian), subject only to draft or order by the Custodian, its agents or its subcustodians acting pursuant to the terms of this Contract, and shall hold in such account or accounts, subject to the provisions hereof, cash received by or from or for the account of the Fund. Such funds shall be deposited by the Custodian, its agents or its subcustodians in their capacity as Custodian, agent or subcustodian and, except as otherwise provided under this Contract, shall be withdrawable by the Custodian, its agents or its subcustodians only in that capacity.

2.5 Income and Settlement Crediting. Subject to 2.5(a) and 2.5(b) below the Custodian shall credit or debit the appropriate cash account of the Fund in connection with the purchase, sale, maturity, redemption, income, dividends or

other disposition of securities and other assets held for the time being on behalf of the Association in said accounts on an actual settlement basis. The collection of income due the Fund on any securities loaned by the Fund other than through the Custodian's Securities Lending Program shall be the responsibility of the Association and such income shall be credited upon actual receipt by the Custodian.

(a) The Custodian may make available provisional credit of settlement, maturity redemption proceeds, income and dividends on a contractual settlement basis in markets deemed appropriate for such a practice by the Custodian. Income shall be credited contractually in markets identified on Schedule A, which may be amended from time to time. The Custodian reserves the right to reverse any such crediting at any time before actual receipt of the item associated with the credit when the Custodian determines that actual receipt will not be received in due course for such an item. In such instances, the Custodian may charge the appropriate cash account of the Association for the expense of providing funds associated with such advance.

(b) In markets where the Custodian makes available the provisions of Section 2.5(a), the consideration payable in connection with a purchase transaction shall be debited from the appropriate cash account of the Association upon the contractual settlement date for the relevant purchase transaction. The Custodian shall promptly recredit such amount at the time that the Association notifies the Custodian by Proper Instruction that such transaction has been canceled.

2.6 Payment of Fund Moneys. Upon receipt of Proper Instructions, which may be standing instructions, the Custodian shall pay out, or direct its agents or its subcustodians to pay out, moneys of the Fund in the following cases:

(a) Upon the purchase of securities for the Fund, unless directed by Proper Instructions; (i) in accordance with the customary or established practices and procedures in the jurisdiction or market where the transactions occur, including, without limitation, delivering money to the

seller thereof or to a dealer therefor (or an agent for such seller or dealer) against expectation of receiving later delivery of such securities; or (ii) in the case of a purchase effected through a Securities System, in accordance with the rules governing the operation of such Securities System;

(b) In connection with conversion, exchange or surrender of securities of the Fund as set forth in Section 2.2 hereof;

(c) For the payment of any expense or liability including but not limited to the following payments: interest, taxes, management, accounting, transfer agent fees, legal fees and operating expenses;

(d) To the trustee, including the Custodian, of any collective investment fund maintained for the investment of the assets of employee benefit plans qualified under Section 401(a) and exempt from tax under Section 501(a) of the Internal Revenue Code;

(e) For the purchase or sale of foreign exchange or foreign exchange contracts for the account of the Association, including transactions executed with or through the Custodian, its agents or its subcustodians;

(f) In connection with trading in options and futures contracts, including delivery as original margin and variation margin;

(g) In connection with securities borrowing by the Association; and

(h) For any other purpose, but only upon receipt of Proper Instructions specifying the amount of such payment and naming the person or persons to whom such payment is to be made.

2.7 Appointment of Agents and Subcustodians. The Custodian may at its discretion appoint and remove agents or subcustodians to carry out such of the provisions of this Contract as the Custodian may from time to time direct; provided, however, that such appointment shall not relieve the Custodian of its responsibilities or liabilities under this

Contract.

2.8 Proxies. The Custodian will, with respect to the securities held hereunder, cause to be promptly executed by the registered holder of such securities proxies received by the Custodian from its agents or its subcustodians or from issuers of the securities being held for the Association, without indication of the manner in which such proxies are to be voted, and shall promptly deliver such proxies, proxy soliciting materials and other notices relating to such securities directly to the Association.

2.9 Communications Relating to Association Securities. The Custodian shall transmit promptly to the Association or Investment Manager (as defined in Section 8 herein) written information (including, without limitation, pendency of calls and maturities of securities and expirations of rights in connection therewith) received by the Custodian from its agents or its subcustodians or from issuers of the securities being held for the Association. With respect to tender or exchange offers, the Custodian shall transmit promptly to the Association or Investment Manager written information received by the Custodian from its agents or its subcustodians or from issuers of the securities whose tender or exchange is sought and from the party (or his agents) making the tender or exchange offer. The Custodian shall not be liable for any untimely exercise of any tender, exchange or other right or power in connection with securities or other property, of the

Association at any time held by it unless (i) it or its agents or subcustodians are in actual possession of such securities or property and (ii) it receives Proper Instructions with regard to the exercise of any such right or power and both (i) and (ii) occur at least three (3) business days prior to the date on which such right or power is to be exercised.

2.10 Proper Instructions. The term "Proper Instructions" shall mean instructions received by the Custodian from the Association, the Investment Manager, or any person duly authorized by either of them. Such instructions may be in writing signed by the authorized person or may be in a tested communication or in a communication utilizing access codes effected between electro-mechanical or electronic devices or may be by such other means as may be agreed to from time to time by the Custodian and the party giving such instructions (including, without limitation, oral instructions). The Association shall cause its duly authorized officer, or the duly authorized officer of any Investment Manager, to certify to the Custodian in writing the names and specimen signatures of persons authorized to give Proper Instructions. The Custodian shall be entitled to rely upon the identity and authority of such persons until it receives notice from the Association or the Investment Manager to the contrary.

2.11 Actions Permitted without Express Authority. The Custodian may, at its discretion, without express authority from the Association or the Investment Manager:

(a) make payments to itself or others for minor expenses of handling securities or other similar items relating to its duties under this Contract, provided that all such payments shall be accounted for to the Association;

(b) surrender securities in temporary form for securities in definitive form;

(c) endorse for collection checks, drafts, and other negotiable instruments; and

(d) in general attend to all nondiscretionary details in connection with the sale, exchange, substitution, purchase, transfer and other dealings with the securities and property of the Association.

2.12 Evidence of Authority. The Custodian shall be protected in acting upon any instructions, notice, request, consent, certificate, instrument or paper reasonably believed by it to be genuine and to have been properly executed or otherwise given by or on behalf of the Association or an Investment Manager. The Custodian may receive and accept a certificate from the Association or an Investment Manager as conclusive evidence (i) of the authority of any person to act in accordance with such certificate or (ii) of any determination or of any action by the Association or the Investment Manager as described in such certificate, and such certificate may be considered as in full force and effect until receipt by the Custodian of written notice to the contrary.

3. REPORTING. The Custodian shall render to the Association a monthly report of all monies received or paid on behalf of the Association and an itemized statement of the securities

for which it is accountable under this Contract as of the end of each month, as well as a list of all securities transactions that remain unsettled at that time.

4. COMPENSATION OF CUSTODIAN. The Custodian shall be entitled to compensation for its services and expenses as Custodian set forth in a written Fee Schedule attached herein as Attachment B between the parties hereto until a different compensation shall be in writing agreed upon between the Association and the Custodian.

5. RESPONSIBILITY OF CUSTODIAN. The Custodian shall not be responsible for the title, validity or genuineness, including good deliverable form, of any property or evidence of title thereto received by it or delivered by it pursuant to this Contract and shall be held harmless in acting upon any notice, request, consent, certificate or instrument reasonably believed by it to be genuine and to be signed or otherwise given by the proper party or parties. The Custodian shall be held to the exercise of reasonable care in carrying out the provisions of this Contract, but shall be kept indemnified by the Association for any action taken or omitted by it in good faith and without negligence. The Custodian shall be without liability to the Association for any loss resulting from or caused by: (i) events or circumstances beyond its reasonable control including nationalization, expropriation, currency restrictions, act of war or terrorism, riot, revolution, acts of God or other similar events or acts; (ii) errors by the

Association or any Investment Manager in its instructions to the Custodian or (iii) acts or omissions by a Securities System. It shall be entitled to rely on and may act upon advice of counsel (who may be counsel for the Association or the Association) on all matters, and shall be without liability for any action reasonably taken or omitted pursuant to such advice.

If the Custodian advances cash or securities for any purpose, including the purchase or sale of foreign exchange or of contracts for foreign exchange, or in the event that the Custodian shall incur or be assessed taxes, interest, charges, expenses, assessments, or other liabilities in connection with the performance of this Contract, except such as may arise from its own negligent act or negligent omission, any property at any time held for the account of the Association or in the Account shall be security therefor and, should the Association fail to repay the Custodian promptly, the Custodian shall be entitled to utilize available cash and to dispose of the Association assets to the extent necessary to make itself whole.

6. SECURITY CODES. If the Custodian has issued to the Association, or to any Investment Manager, security codes or passwords in order that the Custodian may verify that certain transmissions of information, including Proper Instructions, have been originated by the Association or the Investment Manager, as the case may be, the Custodian shall be kept

indemnified by and be without liability to the Association for any action taken or omitted by it in reliance upon receipt by the Custodian of transmissions of information with the proper security code or password, including instructions purporting to be Proper Instructions, which the Custodian reasonably believes to be from the Association or Investment Manager.

7. TAX LAW. The Custodian shall have no responsibility or liability for any obligations now or hereafter imposed on the Association, the Fund or the Custodian as custodian of the Fund by the tax law of the United States of America or any state or political subdivision thereof. It shall be the responsibility of the Association to notify the Custodian of the obligations imposed on the Fund, the Association or the Custodian as custodian of the Fund by the tax law of jurisdictions other than those mentioned in the above sentence, including responsibility for withholding and other taxes, assessments or other governmental charges, certifications and governmental reporting. The sole responsibility of the Custodian with regard to such tax law shall be to use reasonable efforts to assist the Association with respect to any claim for exemption or refund under the tax law of jurisdictions for which the Association has provided such information.

8. INVESTMENT MANAGER.

8.1 Appointment and Termination of Appointment. The Association at any time may appoint one or more Investment

Managers to manage the investment of all or any portion of the Association. In such event, the Association shall notify the Custodian in writing of the appointment of such Investment Manager, and of the portion of the Fund over which the Investment Manager may exercise its authority. The Association similarly shall notify the Custodian of the termination of the appointment of any Investment Manager.

8.2 Authority. The Custodian, in performing its duties under this Contract, shall be entitled to rely upon Proper Instructions from the Investment Manager, with such limitations as the Association and the Custodian by written agreement provide. In the absence of such limitations, the Custodian shall accept Proper Instructions from the Investment Manager to the same extent as the Custodian would be entitled to accept such Proper Instructions from the Association if no Investment Manager has been appointed.

9. EFFECTIVE PERIOD, TERMINATION AND AMENDMENT. This Contract shall become effective as of the date hereinafter set forth, shall continue in full force and effect until terminated as hereinafter provided, may be amended at any time by mutual written agreement of the parties hereto and may be terminated by either the Association or the Custodian by an instrument in writing delivered or mailed, postage prepaid to the other party, such termination to take effect not sooner than sixty days after the date of such delivery or mailing unless a different period is agreed to in writing by the

parties. The provisions of Sections 5, 6 and 7 of this Contract shall survive termination of this Contract for any reason.

Upon termination of the Contract, the Association shall pay to the Custodian upon demand such compensation as may be due as of the date of such termination and shall likewise reimburse the Custodian for its costs, expenses and disbursements.

10. ACTION ON TERMINATION. If a successor custodian shall be appointed by the Association, the Custodian shall, within a reasonable time after termination, deliver to such successor custodian at the office of the Custodian, its agents or its subcustodians or as otherwise agreed, duly endorsed and in the form for transfer, all securities, funds and other property then held by it hereunder and shall transfer to any account of the successor custodian all of the Association's securities held in a Securities System.

If no such successor custodian shall be appointed, the Custodian shall, in like manner, upon receipt of Proper Instructions from the Association, deliver at the office of the Custodian, its agents or its subcustodians or as otherwise agreed and transfer such securities, funds and other property in accordance with such Proper Instructions.

In the event that no written order designating a successor custodian and no Proper Instructions as aforesaid shall have been delivered to the Custodian on or before the

date when such termination shall become effective, the Custodian shall have the right to deliver to a bank or trust company of its own selection, having an aggregate capital, surplus, and undivided profits, as shown by its last published report of not less than \$100,000,000 all securities, funds, and other property held by the Custodian. Thereafter, such bank or trust company shall be the successor of the Custodian under this Contract.

In the event that securities, funds, and other property remain in the possession of the Custodian, its agents or its subcustodians after the date of termination hereof owing to failure of the Association to appoint a successor custodian or to give the Proper Instructions referred to above, the Custodian shall be entitled to fair compensation for its services during such period as the Custodian retains possession of such securities, funds and other property and the provisions of this Contract relating to the duties and obligations of the Custodian shall remain in full force and effect. It is understood that "fair compensation" shall mean the contract amount of such compensation in effect at the time of termination unless a continuation of this amount shall work an injustice on either the Custodian or the Association due to increased or decreased responsibilities undertaken under this section.

11. REPRESENTATIONS AND WARRANTIES. The Association represents and warrants to the Custodian that:

(a) The Association has the power to enter into and perform its obligations under this Contract, and has duly executed this Contract so as to constitute valid and binding obligations of the Association.

(b) The Association has the power pursuant to the documents establishing the Association and any related plans and trusts to enter into this Contract and carry out its obligations hereunder.

(c) In giving any instructions which purport to be "Proper Instructions" under this Contract, the Association will act in accordance with the provisions of the documents establishing the Association and any related plans and trusts.

(d) The documents establishing the Association and any related plans and trusts permit investment in the collective investment funds referred to in Section 2.6(d) of this Contract and incorporate the terms of such collective funds by reference.

12. NOTICES. Notices and other writings shall be delivered or mailed postage prepaid to:

To the Association:

Harold S. Pittman, Administrator
Ventura County Employees' Retirement Association
800 S. Victoria Avenue
Ventura, CA 93009

To the Custodian:

State Street California, Inc.
1001 Marina Village Parkway
3rd Floor
Alameda, CA 94501

Association Manager

or to such other address as the Association or the Custodian may hereafter specify in writing.

Telephone and facsimile notices shall be sufficient if

communicated to the party entitled to receive such notice at the following numbers:

If to Association:

Telephone (510) 337-5720 Facsimile (510) 337-5791

If to Custodian:

Telephone _____ Facsimile _____

or to such other numbers as either party may furnish the other party by written notice under this Section.

13. CALIFORNIA LAW TO APPLY. This Contract shall be construed and the provisions thereof interpreted under and in accordance with laws of the state of California to the extent not pre-empted by federal law.

14. PRIOR CONTRACT. This Contract supersedes and terminates, as of the date hereof, all prior contracts between the Association and the Custodian relating to the custody of the Association's assets.

IN WITNESS WHEREOF, each of the parties has caused this instrument to be executed in its name and behalf by its duly authorized representative as of the 7th day of April, 1997.

ATTEST:

VENTURA COUNTY EMPLOYEES'
RETIREMENT SYSTEM

[Signature]

BY: *Vernon C. Maddy*
TITLE: Chairman, Board of Retirement

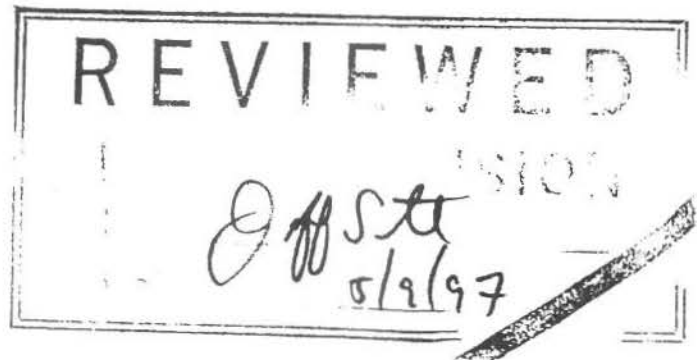
ATTEST:

STATE STREET BANK AND TRUST COMPANY

Keneth R. Johnson

BY: *Donald W. Seely*
Vice President

PUBCUST.DOC
3/95



SCHEDULE A
Contractually Credited Income Markets
For Applicable Securities and Debt Instruments

Australia
Austria
Belgium
Canada
Denmark
Eurosecurities*
Finland
France
Germany
Hong Kong
Italy
Japan
Netherlands
New Zealand
Norway
Portugal
Singapore
Spain
Sweden
Switzerland
United Kingdom
United States of America

* for securities held at Euroclear

ATTACHMENT B (as amended)
State Street Bank and Trust Company
ANNUAL MASTER CUSTODY FEES
For
VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (VCERA)

Total annual custody fee: \$ 95,000 *

Short Term Investment Fund (STIF) fee 12 basis points

Securities Lending split of revenue fees 70% to the VCERA and 30% to the State Street

Other:

Stamp and Duty Registration

Expenses paid to a third party for stamp duty and registration will be billed to the client.

Out-of-pockets

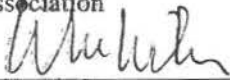
Out-of-pockets such as wires, courier, communication and other applicable miscellaneous charges are borne by the client.

Master custody fee includes on-line services as detailed in the Data Access Agreement

The contract shall commence June 1, 2002.

* These annual fees will be a guaranteed fixed annual fee for the length of the custodian contract between State Street Bank and Trust Company and the Ventura County Employees' Retirement Association, or until portfolio assets increase to a total of \$2.5 billion, and/or actively managed investment accounts increase to a total of 12 accounts. Should either of these events occur during the length of time of the custodian contract, State Street reserves the right to re-open fee negotiations.

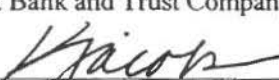
Ventura County Employees'
Retirement Association

By: 

Title: CHAIRMAN, BOARD OF RETIREMENT

Date: MAY 20, 2002

State Street Bank and Trust Company

By: 

Title: **Karen R. Jacobs**
Senior Vice President

Date: May 23, 2002

RECEIVED

MAY 29 2002

Risk & Compliance



STATE STREET.

Ventura County Employees' Retirement Association

State Street Fee Proposal Summary

	Option 1	Option 2	Option 3	Option 4	Option 5*
FLAT ANNUAL CUSTODY FEE	\$325,000	\$300,000	\$275,000	\$300,000	\$175,000
SECURITIES LENDING SPLIT	70/30	60/40	50/50	70/30	0/100
STIF FEE - bps	12	12	12	18	12

* Option 5 is based on current sec lending volumes and may result in more frequent evaluation.

SERVICES INCLUDED IN FLAT CUSTODY FEE

Total Assets Under Administration

Domestic Assets	Included
International Assets	Included
Loan Servicing Assets	Included

Portfolio Accounting & Reporting

Separately Managed Domestic Equity or Fixed Income	Included
Separately Managed International Equity or Fixed Income	Included
Mutual / Commingled Funds	Included
Bank Loan Fund	Included
Cash Accounts	Included
Overlay - FX/Swap/Options	Included
Private Equity/Real Estate	Included
Line items - Mutual Fund/Commingled Fund/Alternatives	Included

Domestic Transaction Processing Fees Per Trade (itemized transaction fees will apply for 3rd party transitions)

Transaction Processing Fees Per Trade (see Footnote below)

DTC Transactions	\$	10	Included
Fed Book Entry Transactions	\$	10	Included
Physical Transactions	\$	35	Included
Stock Distribution - DWAC	\$	10	Included
Physical (WTRN, Alternative Asset)	\$	35	Included
Futures/Options	\$	35	Included
OTC Derivatives Services	\$	30	Included
Bank Loan Servicing	\$	30	Included

International Transaction Processing (itemized transaction fees will apply for 3rd party transitions)

Group A	Group B	Group C		
\$25	\$45	\$100		
Australia	Brazil	Argentina	Hungary	Poland
Austria	Greece	Bahrain	Iceland	Qatar
Belgium	India	Bangladesh	Israel	Romania
Canada	Indonesia	Benin	Ivory Coast	Russia
Canada - Fiducie Desjardins	Ireland	Bermuda	Jamaica	Saudi Arabia
Cedel/Clearstream	Malaysia	Bosnia & Herzegov.	Jordan	Senegal
Denmark	Mexico	Botswana	Kazakhstan	Serbia
Euroclear	Portugal	Bulgaria	Kenya	Slovak Republic
Finland	Puerto Rico	Burkina Faso	Kuwait	Slovenia
France	South Korea	Cayman Island	Latvia	Sri Lanka
Germany	Thailand	Chile	Lebanon	Swaziland
Hong Kong		China	Lithuania	Taiwan
Italy		Colombia	Mali	Togo
Japan-Mizuho		Costa Rica	Malta	Trinidad & Tobago
Japan-Sumitomo		Croatia	Mauritius	Tunisia
Netherlands		Cyprus	Morocco	Turkey
New Zealand		Czech Republic	Namibia	Uganda
Norway		Dubai	Niger	Ukraine
Singapore		Ecuador	Nigeria	United Arab Emirates
South Africa		Egypt	Oman	Uruguay
Spain		Estonia	Pakistan	Venezuela
Sweden		Georgia	Palestine	Vietnam
Switzerland		Ghana	Panama	Zambia
United Kingdom		Guinea-Bissau	Peru	Zimbabwe
			Philippines	

Class Action Administration

For class action claims processed and administered through State Street, an administrative fee of \$125 per fund will be applied.

FOOTNOTES AND OTHER CHARGES:

Transaction Processing Fees

Transaction Processing Fees are per trade processing fees charged for processing settlement of transactions by State Street on behalf of its clients in connection with the provision of custody services hereunder. These Transaction Processing Fees, unless otherwise waived, apply whether the client or its third party investment managers entered into such transactions with or through State Street or one of its affiliates or a third party dealer or broker. The processing fees are in addition to, and are not to be construed as payments in lieu of, any compensation (as described below) that may be earned by State Street or any of its affiliates or by a third party dealer or broker in connection with such transaction.

These fees will be apply to all 3rd party transitions where the Transition Manager is other than SSGM.

Short Term Investment Fund

State Street to be the exclusive short term investment fund (STIF) manager for all residual cash balances held across all customer portfolios. An administrative/management fee of **12** basis points will be netted directly from the yield of the fund.

Settlement of Foreign Exchange (See foreign exchange footnote below)

Through State Street Global Markets the custody transaction processing fee is waived.
Through a Third Party there is a **\$75** per transaction fee.

Foreign Exchange

State Street Global Markets, as a separate division of State Street, offers principal or "dealer" trading services, as well as agency execution services (which include its proprietary electronic trading platforms) in a variety of asset classes, including most of those described in this schedule. The client or its third party fiduciary investment managers may select State Street Global Markets to effect principal or agency transactions; however, any such services irrespective of whether trade orders are transmitted through State Street's custody or trustee operations, are conducted under contractual or other arrangements that are distinct from its services and obligations under the trust/custody agreement. When State Street or State Street Global Markets act as counterparty (e.g., foreign exchange, over the counter derivatives, repurchase transactions) to the client, such transactions are principal transactions and State Street or State Street Global Markets enter into them as a dealer and not in a fiduciary, agency, or similar capacity (regardless of any other relationships between State Street and the client under the trust/custody agreement. In connection with such trading or agency execution services, State Street Global Markets may receive compensation from the client in a variety of forms, including a commission, click fee, revenue share, spread, mark-up, mark-down, interest, fee or similar amount.

Out - of - Pocket Expenses

Out of pocket expenses including, but not limited to, wires, stamp duties, re-registration fees, air freight, market imposed costs, derivative valuation expenses and other expenses not reasonably foreseen as part of the trust and custody relationship will be billed to the customer.

Additional Fees

New file transmission requests, custom reports, Independent valuation of derivatives may carry an additional fee to be quoted prior to implementation.

Overdrafts

An overdraft charge of Fed Funds plus **200** basis points will apply to all U.S. overdrafts.

Securities Lending

State Street to be the exclusive lending agent with access to all customer assets for securities lending activities. A securities lending collateral management fee will be netted from the yield prior to the securities lending fee split allocation.

Fee schedule assumes no material changes to volume, structure or asset composition assumptions used to construct this fee schedule. Any such changes could result in the need for amended fee terms.

State Street Bank and Trust Company

Ventura County Employees' Retirement Association

Signature: _____

Signature: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

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>

November 4, 2013

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

SUBJECT: AUTHORIZATION TO ENGAGE COUNTY HUMAN RESOURCES: RETIREMENT INVESTMENT ANALYST

Dear Board Members:

Background

The Board relied on the previous Retirement Administrator's investment expertise and, during the time of his departure, contemplated the lack of investment staff and not having a Chief Investment Officer position. While not present, staff understands that this was a divisive issue with the County and Board, primarily due to the potential salary of such a position and a debate over the potential needs and benefits.

The previous Retirement Administrator has been replaced by a new Retirement Administrator, hired March 5, 2012, and Chief Financial Officer, hired March 22, 2009, not having the same investment background and training, and have been further provided Board direction to focus on the financial and administrative management of VCERA's investments, possibly with perception that all investment questions or issues can be addressed by the external investment consultant.

On June 18, 2012 Hewitt EnnisKnupp commented on the advisory nature of their services and on the executive and administrative nature of staff's responsibilities. This was echoed independently by staff during the presentation of the proposed fiscal year 2012-13 budget, and when staff sought authorization to discuss the proposed creation of an Investment Officer ("Analyst") position. Authorization was not granted.

Discussion

There is a significant amount of time and effort by staff when implementing a new investment mandate; however, there is even more time and effort involved with administering all of the current investments approved to date.

More than a year has passed since the previous request during the fiscal year 2012-13 budget hearing process, and it has since become even clearer to staff that not having a dedicated investment resource poses serious limitations and delays in the

AUTHORIZATION TO ENGAGE COUNTY HUMAN RESOURCES: RETIREMENT INVESTMENT ANALYST

November 4, 2013

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implementation of Board actions surrounding investments, and creates exposure surrounding monitoring, verification and responsiveness to adverse, or positive, investment events.

Staff is seeking the Board's authorization to engage County Human Resources to review the attached job specifications, and to establish an appropriate title and salary range for a Retirement Investment Analyst, providing the necessary in-house investment resources. It is anticipated that the starting salary will be well within the County's range of pay and will likely fit at the Accounting Manager I level (\$68,287 – \$90,205 Annually), reporting directly to Henry Solis, VCERA's CFO.

Staff has discussed this position with Don Stracke, of NEPC, Inc. and Mr. Stracke is in support of the proposed action, indicating that several retirement systems of similar, and smaller, size have one to multiple in-house investment resources to manage the administrative aspects of their investments. The attached list of duties was obtained from Santa Barbara County's recent announcement of a search for a second Investment Analyst. There is also a flyer attached for the SBCERS position.

Currently the first ten duties are being completed by Henry Solis, Christina Stevens, and me, the six duties that follow (11 - 16) are being underserved by staff posing investment performance risks, the five duties that follow (17 - 21) would provide VCERA with enhanced information not currently being generated, and the remaining three duties (22 - 24) would be of general benefit to VCERA's presence in the markets and would be complimentary to the Board's current understanding of investment trends as presently communicated by the investment consultant and trustees that provide training reports.

This would only be the first step in the process of considering the addition of an Investment Analyst. If the Board authorizes the study and establishment of the position, there would still be an opportunity for the Board to consider the financial impacts and whether or not to add the position to VCERA's team.

Fiscal Impact

The position's salary is estimated to range from \$73,222 to \$93,960 based on the SBCERS flyer (<http://wbrowncreative.com/wp-content/uploads/2013/10/Ret-Investment-Analyst-Flyer-FINAL.pdf>) for a comparably located pension plan with comparable duties. Los Angeles Water & Power Employees' Retirement Plan announced it opening for an Investment Officer, at a range of \$114,338 to 149,897, and this could be due to location or position type appearing to primarily manage in-house investments.

There is no financial impact from this requested Board action.

AUTHORIZATION TO ENGAGE COUNTY HUMAN RESOURCES: RETIREMENT INVESTMENT ANALYST

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Recommendation

This item and attachment have been reviewed by Board Counsel and the Chief Financial Officer.

Staff recommends authorizing the Retirement Administrator to engage County Human Resources to review the attached job specifications, and to establish an appropriate title and salary range of a Retirement Investment Analyst.

Sincerely,



Donald C. Kendig, CPA
Retirement Administrator

Attachments (1)

RETIREMENT INVESTMENT ANALYST DUTIES, SKILLS AND KNOWLEDGE

DUTIES

1. Assist with the administration of investment program.
2. Evaluate existing investment manager contracts and meet with potential investment managers to evaluate products and firm.
3. Assist with the negotiation of new contracts for investment managers and other investment related services.
4. Assist in the development and analysis of financial statements.
5. Monitor, analyze and project cash flow to anticipate retirement fund expenditure requirements, and maximize earning power of funds available.
6. Review Retirement Board agendas, materials, and official minutes for accuracy and completeness of investment related items.
7. Verify and track fees of investment managers and consultants.
8. Coordinate securities litigation and class action monitoring.
9. Fulfill public records requests and surveys associated with investment performance.
10. Execute investment transactions such as asset allocation rebalancing.
11. Monitor investment account holdings and perform compliance audits.
12. Prepare and summarize exception reports.
13. Monitor proxy voting and shareholder activities.
14. Track and evaluate investment activities and complex investment transactions and identify potential areas of concern.
15. Evaluate reports on various VCERA investments including real estate and other non-traditional investments.
16. Study and make recommendations on advice received from outside investment consultants.
17. Prepare custom investment measurement and performance reports as requested.
18. Research and interpretation of information for investment analysis.
19. Prepare special analyses of underlying portfolio investments as requested.
20. Provide recommendations for improved investment policies and procedures.
21. Perform complex investment research and formulate effective investment management strategies as requested.
22. Identify potential investment opportunities suitable for the institutional portfolio and formulate and implement investment strategies and tactics.
23. Research and screen various investment products and services and prepare reports, analysis and recommendation.
24. Study analysis and evaluation of investment instruments, strategies, and trends.

COMMUNICATIONS

- Communicate effectively both orally and in writing.
- Establish and maintain professional relationships with members, key stakeholders and other customers.
- Prepare and present persuasive oral presentations and have clear written communication skills.

KNOWLEDGE OF

- Laws, rules, regulations and professional standards regarding the investment of public pension funds.
- Principles and practices of institutional investment management.
- Modern portfolio theory and application.
- Principles and practices of institutional securities transactions, real estate and other non-traditional investment areas.
- Economic and market conditions and trends and their effect on short term and long term investment programs and strategies.
- Principles and practices of research methods and report preparation.
- Principles of finance, statistics and administrative analysis.