

# VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

## BOARD OF RETIREMENT

### DISABILITY MEETING

December 2, 2013

#### AGENDA

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

**TIME:** 9:00 a.m.

**ITEM:**

- |      |   |                 |
|------|---|-----------------|
| I.   | <b><u>CALL TO ORDER</u></b>   | Master Page No. |
| II.  | <b><u>APPROVAL OF AGENDA</u></b>  | 1 - 4           |
| III. | <b><u>APPROVAL OF MINUTES</u></b>   |                 |
|      | A. Business Meeting of November 18, 2013.   | 5 - 11          |
| IV.  | <b><u>RECEIVE AND FILE PENDING DISABILITY APPLICATION STATUS REPORT</u></b>   | 12 - 58         |
| V.   | <b><u>APPLICATIONS FOR DISABILITY RETIREMENT</u></b>  |                 |
|      | A. Consider Application for Service Connected Disability Retirement; Michael S. Brodie; Case No. 11-029.  | 59 - 78         |
|      | 1. Hearing Officer's Report with Proposed Findings and Recommendation, submitted by Hearing Officer Richard C. Anthony, dated October 23, 2013.                             |                 |
|      | 2. Respondent's Reply to the Hearing Officer's Report with Proposed Findings and Recommendation, submitted by Stephen D. Roberson, Attorney at Law, dated October 28, 2013. |                 |

**V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)**

- A. Consider Application for Service Connected Disability Retirement; Michael S. Brodie; Case No. 11-029. (continued)
  - 3. Applicant's reply to the Hearing Officer's Report with Proposed Findings and Recommendation, submitted by David G. Schumaker, Attorney at Law, dated October 31, 2013.
  - 4. Hearing Notice served on November 8, 2013.
  
- B. Consider Application for Service Connected Disability Retirement; Esther V. Diaz; Case No. 12-002. 79 - 102
  - 1. Hearing Officer's Proposed Findings and Recommendations, submitted by Hearing Officer Richard C. Anthony, dated September 20, 2013.
  - 2. Respondent's Objection to the Hearing Officer's Proposed Findings and Recommendations, submitted by John I. Gilman, Attorney at Law, dated October 10, 2013.
  - 3. Hearing Notice served on November 1, 2013.
  
- C. Consider Application for Service Connected Disability Retirement; Donald G. Hillberg; Case No. 10-028. 103 - 151
  - 1. Hearing Officer's Proposed Findings and Recommendation, submitted by Hearing Officer Richard C. Anthony, dated October 18, 2013.
  - 2. Respondent's Objection to the Summary of Evidence, Findings of Fact, Conclusion of Law and Recommendation, Submitted by B. Derek Straatsma, Attorney at Law, dated November 1, 2013.

**V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)**

- C. Consider Application for Service Connected Disability Retirement; Donald G. Hillberg; Case No. 10-028. (continued)
3. Applicant's Brief in Support of the Hearing Officer's Proposed Findings and Recommendations, submitted by Laurence D. Grossman, Attorney at Law, dated November 12, 2013.
  4. Hearing Notice served on November 12, 2013.
- D. Consider Application for Service Connected Disability Retirement; Kristina Lee-Bailey; Case No. 12-015. 152 - 193
1. Summary of Evidence, Findings of Fact, Conclusions of Law and Recommended Decision, submitted by Hearing Officer Irene P. Ayala, dated September 7, 2013.
  2. Respondent's Reply to Summary of Evidence, Findings of Fact, Conclusions of Law and Recommended Decision, submitted by Stephen D. Roberson, Attorney at Law, dated September 16, 2013.
  3. Applicant's Objections to the Hearing Officer's Recommended Decision, submitted by Thomas J. Wicke, Attorney at Law, dated September 17, 2013.
  4. Legal Memorandum in Support of the Hearing Officer's Recommended Decision, submitted by Stephen D. Roberson, Attorney at Law, dated September 24, 2013.
  5. Hearing Notice on October 25, 2013.
- E. Consider Application for Service Connected and Non-Service Connected Disability Retirement; Celia Montoya; Case No. 11-013. 194 - 219
1. Hearing Officer's Proposed Findings of Fact, Conclusions of Law and Recommendation, submitted by Hearing Officer Kenneth A. Perea, dated September 27, 2013.

**V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)**

E. Consider Application for Service Connected and Non-Service Connected Disability Retirement; Celia Montoya; Case No. 11-013. (continued)

2. Hearing Notice served on October 15, 2013.

**VI. STANDING ITEM**

A. Review Monthly PAS (VCERIS) Report for October 2013. **RECOMMENDED ACTION: Receive and File.** 220 - 226

B. Review Staff Response to Quarterly VCERIS Report Questions Asked at the November 18, 2013 Board Meeting. **RECOMMENDED ACTION: Receive and File.** 227 - 230

**VII. NEW BUSINESS**

A. Appoint Chair and Vice Chair for 2014. 231

B. Consider Authorization to Attend Opal Financial Group Public Funds Summit, January 7-9, 2014, Scottsdale, Arizona – Trustee Chris Johnston. 232 - 235

**VIII. CLOSED SESSION**

It is the Intention of the Board of Retirement to Meet in Closed Session, pursuant to Government Code Section 54957(b)(1), to Discuss the Following Item.

A. Public Employee Appointment/Employment/Evaluation of Performance/Release. Title: Retirement Administrator.

**IX. PUBLIC COMMENT**

**X. STAFF COMMENT**

**XI. BOARD MEMBER COMMENT**

**XII. ADJOURNMENT**

# VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

## BOARD OF RETIREMENT

### BUSINESS MEETING

November 18, 2013

### MINUTES

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

**DIRECTORS** None.

**ABSENT:**

**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 November 18, 2013, to order at 9:01 a.m.

**II. APPROVAL OF AGENDA**

MOTION: Approve the Agenda.

Moved by Henderson, seconded by T. Johnston.

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

**III. APPROVAL OF MINUTES**

A. Disability Meeting of November 4, 2013.

MOTION: Approve the Minutes.

Moved by T. Johnston, seconded by Hintz.

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

**IV. CONSENT AGENDA**

- A. Approve Regular and Deferred Retirements and Survivors Continuances for the Month of October 2013.
- B. Receive and File Report of Checks Disbursed in October 2013.
- C. Receive and File Asset Allocation as of October 31, 2013.
- D. Receive and File Statement of Plan Net Position, Statement of Changes in Plan Net Position, Investments & Cash Equivalents, and Schedule of Investment Management Fees September 30, 2013.
- E. Receive and File Budget Summary for FY 2013-14 Month ending September 2013.

- F. Receive and File Budget Summary for FY 2013-14 Month ending October 2013.

MOTION: Approve the Consent Agenda.

Moved by Henderson, seconded by T. Johnston.

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

**END OF CONSENT AGENDA**

**V. STANDING ITEM**

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

Received an oral report from Board Counsel on the status of CALPERS Regulations and AB 197 litigation and from the Retirement Administrator on AB 431.

No action taken.

**VI. INVESTMENT INFORMATION**

- A. Hewitt EnnisKnupp - John J. Lee, and Kevin Chen.

1. Receive and File Third Quarter 2013 Performance Report.

After presentation by HEK and discussion by the Board, the following Motion was made:

MOTION: Receive and file the Report.

Moved by Goulet, seconded by McCormick.

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

2. Receive and File Monthly Manager Performance Report, October 2013.

After presentation by HEK and discussion by the Board, the following Motion was made:

MOTION: Receive and file the Report.

Moved by Henderson, seconded by Goulet.

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

B. Consider Approval of Custodial Fee Proposal.

1. Custodial Fee Proposal – Yolanda Diaz, State Street Bank and Trust.
2. Consultant Memo – Allan Martin, Don Stracke, CFA, CAIA, and Anthony Ferrara, NEPC, Inc.
3. Consultant Memo – Joel Brightfield, Trust Services & John J. Lee, Hewitt EnnisKnupp.
4. Supporting Data: a. Custodial Fee Survey, b. 2002 Fee, c. 1997 Contract.

After discussion by the Board, Staff, State Street, NEPC and HEK, the following motion was made:

MOTION: Continue the item to the December 16 Business meeting.

Moved by Towner, seconded by T. Johnston.

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



- C. Oral Discussion of PIMCO Credit Default Swap and Redemption Activity – Trustee Chris Johnston.

Heard oral discussion from Trustee Johnston, Don Stracke of NEPC and the Board.

- D. The 5<sup>th</sup> Annual NEPC Public Fund Workshop, January 27-28, 2014, Tempe, Arizona and Authorization for Up to Three Trustees to Attend.

After discussion by the Board and Don Stracke of NEPC, the following Motion was made:

MOTION: Authorize Trustee Chris Johnston to attend the Workshop.

Moved by Hintz, seconded by Sedell.

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

**VII. NEW BUSINESS**

- A. Receive and File Quarterly PAS (VCERIS) Report – Brian Colker, Linea Solutions.

After presentation by Staff and Linea, and discussion by the Board, the following Motion was made:

MOTION: Receive and file the Report.

Moved by Hintz, seconded by T. Johnston.

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

Staff will return to the Board with an answer to questions about the quarterly expense details.

- B. Review and Approval of 2014 Board Meeting Dates & Investment Manager Presentations.

After discussion by the Board, the following Motion was made:

MOTION: Approve the Board Meeting Dates & Investment Manager Presentations.

Moved by Henderson, seconded by McCormick.

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

- C. Review and Approval of Due Diligence Calendar for 2014.

After discussion by the Board, the following Motion was made:

MOTION: Approve the Calendar.

Moved by Henderson, seconded by T. Johnston.

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

The Chair designated Trustees Goulet, C. Johnston, McCormick and Sedell as participants for the Spring 2014 Due Diligence Trip.

- D. Receive and File Walter Scott Due Diligence Report – Trustees McCormick and Towner.

After discussion by the Board, the following Motion was made:

MOTION: Receive and file the Report.

Moved by Hintz, seconded by T. Johnston.

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

E. Receive Fall 2013 SACRS Conference Oral Reports.

Heard comments from Trustees.

**VIII. PUBLIC COMMENT**

The Retirement Administrator commented about:

- Staff will bring forward a new Agenda format to better align with requirements of the Brown Act;
- The Bylaws are under review by staff and Board Counsel and will come to the Board for review and approval at a future Board meeting; and
- Staff will bring an IRS Tax Determination Update to the Board in the near future.

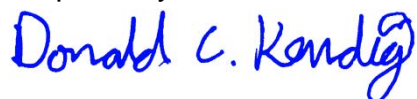
**IX. BOARD MEMBER COMMENT**

None.

**X. ADJOURNMENT**

The meeting was adjourned at 10:59 a.m.

Respectfully submitted,



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DONALD C. KENDIG, Retirement Administrator

Approved,

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WILLIAM W. WILSON, Chairman



# Project Status Report: PAS Project



Reporting to: VCERA  
Written by: Kim Zierath

Report Date: 11/15/13  
Reporting Period: 10/01/2013 – 10/31/2013

## Project Segment: Deployment Phase – Rollout 1

October project activities continued to focus on Segment D - Tracks 2, 3 and 4 design and testing activities, completing Segment C and Segment D - Track 1 testing activities, conducting the data conversion JAD session for RIS and ADP, and continuing data conversion activities from RDBS.

The following activities were conducted in October:

### Project Management:

- The project team met with the Auditor-Controller team on 10/11/13 to review a possible solution for Auditor-Controller to report retroactive adjustments. It appears from the example provided that the solution will work, but additional analysis through a complete mock-up with the required file format is necessary. The Auditor-Controller team is continuing to develop the solution.
- Vitech had additional resources on-site the week of 10/14/13 to demo system functionality and provide knowledge transfer between the Vitech account team and Vitech development resources.
- The project team continued to work with Novanis on their updated SOW. To date, Novanis has not provided the update because there are still open deliverable questions. The project team expects the updated SOW in November.
- The project team was not able to complete all of the data mapping from RIS and ADP during the October data conversion JAD session. There is an additional JAD session scheduled for the week of December 9<sup>th</sup>. At the conclusion of that session, Vitech, MBS and Linea will finalize their data conversion hours analysis and determine if additional hours are required, and will also identify potential options for eliminating the need for change orders, or reducing their amounts.
- The project team requested a direct County IT contact for project IT needs. Kim and Hammad provided a list of the types of IT activities that typically occur. VCERA management will contact County IT to discuss options and coordination with VCERA IT.
- VCERA experienced an additional resource issue. Kathie Webb is out on leave at least through the end of the year. Her absence, in addition to Ruth's absence, creates a potential risk that Julie will not be able to release Doug and Angie to participate in project activities as scheduled in order to continue critical operations activities related to payroll, disability, and divorce processing. The project team is monitoring this risk.

### Implementation Phase – Rollout 1:

- Segment D, Track 1 was completed.
- Weekly build releases for Segment D Tracks 2, 3 and 4 were received and Michelle and Rebekah continued creating test cases and identifying data requirements.





# Project Status Report: PAS Project



Reporting to: VCERA  
Written by: Kim Zierath

Report Date: 11/15/13  
Reporting Period: 10/01/2013 – 10/31/2013

- The project team met on 10/16/13 to discuss PEPR changes. Michelle and Rebekah will provide Vitech the detailed requirements based on those changes and Vitech will assess the impact of the changes to determine if any rework or changes in design directions will impact the project schedule.
- The project team met on 10/16/13 to determine the process for generating and distributing Annual Benefit Statements (ABS). Michelle and Rebekah are finalizing the ABS template.
- 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.
- Testing statistics on delivered functionality as of 10/31/13:

<b>Tests Executed:</b>	
Priority	# Tests Executed
High	271
Med	376
Low	110
Total Executed	757
<b>Open Defects:</b>	
Severity	# Open Executed
High	7
Med	28
Low	30
Total Open Defects	65

(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.)



# Project Status Report: PAS Project



Reporting to: VCERA  
Written by: Kim Zierath

Report Date: 11/15/13  
Reporting Period: 10/01/2013 – 10/31/2013

## 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.
- MBS delivered Cycle 7 data conversion files. Vitech will load these files and prepare scorecards for review.
- The project team has determined that the ADP "quitter's tape" will not contain all of the information required for data conversion, which means at least some of the data will need to be pulled from ReportSmith by project resources. Since there is a cost for the quitter's tape, and since ReportSmith has to be used for at least some of the data, the project team determined that all of the data could be pulled from ReportSmith, eliminating the need for the "quitter's tape". This will save VCERA the \$2,000 fee for the "quitter's tape" that would have been charged each time that it was needed.
- 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:

- The project team experienced no notable network connection disruptions during October. All issues regardless of significance are reported in order to analyze patterns and identify solutions before they become serious.

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 6<sup>th</sup> Board meeting.</p> <p>UPDATE (11/1) – Auditor-Controller has identified a potential solution for reporting retroactive adjustments. They are continuing to assess the development cost and time requirements to determine if the project timeline can be met. County counsel has not provided their written opinion yet. Continuing to monitor.</p>





# Project Status Report: PAS Project



Reporting to: VCERA  
Written by: Kim Zierath

Report Date: 11/15/13  
Reporting Period: 10/01/2013 – 10/31/2013

	<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 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 6<sup>th</sup> 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</p>
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# Project Status Report: PAS Project



Reporting to: VCERA  
Written by: Kim Zierath

Report Date: 11/15/13  
Reporting Period: 10/01/2013 – 10/31/2013

	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 6 <sup>th</sup> Board meeting. We will present to the Board as soon as we have the information and can create a revised plan proposal.
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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	37%	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: 11/15/13  
Reporting Period: 10/01/2013 – 10/31/2013

## 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	2,892.50	607.50

## Planned Tasks for Next Period

- Continue working with Auditor-Controller and VRSD to develop solutions for the transmittal files.
- RIS and ADP data conversion script development.
- Continue analyzing data extracted from RDBS and loaded into V3.
- Develop extraction scripts for ADP data from ReportSmith.
- 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: 11/15/13  
Reporting Period: 10/01/2013 - 10/31/2013

## Signatures

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

**Donald Kendig**  
Retirement Administrator  
VCERA Project Sponsor

11/26/13

Date

**Hammad Zaigham**  
Vitech Project Manager

11/26/2013

Date

**Kim Zierath**  
Linea Project Manager

11/26/13

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>

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December 2, 2013

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

## **SUBJECT: STAFF RESPONSE TO QUARTERLY VCERIS REPORT QUESTIONS ASKED AT THE NOVEMBER 18, 2013 BOARD MEETING**

Dear Board Members:

### **Background & Discussion**

At the November 18, 2013, Board meeting, Trustees had questions regarding the financial details in the quarterly status report. The details have been verified as correct.

On July 15, 2013, Linea and staff presented to the Board change order 3489, extending Vitech's services for an additional cost of \$250,000 along with a modified milestone payment schedule and the release of the holdbacks. This was proposed by Linea and staff in exchange for a reduction of the cost of the extension by 63% over Vitech's normal implementation costs. Linea and staff also communicated at that time that they believe large enough payments are deferred until the end of the project to ensure the successful completion (i.e., the payment of \$400,000 for production acceptance is deferred until July 2015).

The payment milestone schedule for change order 3489 is attached for reference and reflects what was last reported in the quarterly status report detail on November 18, 2013, (also attached) except that the July payment of \$370,720 and holdback release payment of \$168,000, totaling \$528,720 were separated out in the quarterly report.

As a point of comparison, the payment milestone schedule for CO3223 is provided which was approved by the Board on October 15, 2012 as a no-cost extension to Vitech's services.

Staff would be pleased to respond to any questions you may have on this item.

Sincerely,



Donald C. Kendig, CPA  
Retirement Administrator

Attachments (3)





**Appendix B – Proposed Revised Payment Milestone Schedule**

VCERA Service Payment Schedule

Total Services (Old): 3,500,000

Total Services (New): **3,750,000**

Change Order for: **250,000**

Invoice #	License Fee	Est Invoice Date	Milestone Description*	Gross Payment	Payments Withheld	Withhold Release	Total Payment
1	\$ 575,000	Mar-12	Project Initiation / Initial License payment (development license)	200,000			200,000
2		May-12	QA Hardware and Software Installed and Configured	128,000	19,200		108,800
3		Jun-12	Detailed Implementation Plan Approved	96,000	14,400		81,600
4		Aug-12	V3 Baseline Application Configuration & Demonstration Complete	224,000	33,600		190,400
5		Nov-12	Rollout 1: VCERA confirms Segment A functionality delivered and validated	224,000	33,600		190,400
6		Mar-13	Rollout 1: VCERA validates Segment B functionality delivered	224,000	33,600		190,400
7		Jun-13	Rollout 1: VCERA confirms Segment C functionality delivered	224,000	33,600		190,400
8		Jul-13	Change Order 3489 Execution	370,720		168,000	538,720 *
9		Sep-13	Rollout 1: VCERA confirms Segment D Track 1 functionality delivered	314,640			314,640
10		Dec-13	Rollout 1: VCERA confirms Segment D Track 2 functionality delivered	314,640			314,640
11		Mar-14	Rollout 1: VCERA confirms Segment F functionality delivered	139,200			139,200
12		Jul-14	Rollout 1: VCERA confirms Segment G functionality delivered	139,200			139,200
13		Aug-14	Rollout 1: VCERA confirms Segment H functionality delivered	139,200			139,200
14		Oct-14	Rollout 1: VCERA begins parallel testing of the transmittal files	139,200			139,200
15		Dec-14	Rollout 1: VCERA confirms Segment I functionality delivered	139,200			139,200
16		Mar-15	Rollout 1: VCERA begins UAT	40,000			40,000
17		Jul-15	Rollout 1: VCERA accepts system for production	400,000			400,000
18		Aug-15	Rollout 2: Start of MSS Implementation	72,000			72,000
19		Oct-15	Warranty Complete: three months after R1 Go-Live	100,000			100,000
20		Nov-15	Rollout 2: VCERA accepts MSS for production	72,000			72,000
21		Feb-16	Warranty Complete: three months after R2 Go-Live	50,000			50,000
	\$575,000			3,750,000	168,000	168,000	3,750,000

\* Rollout 1 includes contribution and benefit processing, payments and RDBS and RIS Replacement  
 Milestone schedule and payments for invoice #1 through 7 have not changed in the new proposed payment schedule



# Ventura County Employees' Retirement Information System Status Report



Reporting to: Board of Retirement  
Written by: Brian Colker

Report Date:

11/1/2013

## Summary

Cost Item	Budget	Change Orders	Amended Budget <sup>1</sup>	Expended to Date	Remaining
Vitech (software, implementation, hosting)	\$ 4,986,500	\$ 250,000	\$ 5,236,500	\$ 2,454,960	\$ 2,781,540
Linea (project oversight, design, data conversion, testing, training)	2,088,407	118,800	2,207,207	1,092,965	1,114,242
External Costs	100,000	110,400	210,400	92,302	118,098
Third party data conversion	680,000	(90,538)	589,462	306,651	282,811
Limited Term Positions <sup>2</sup>	581,200	(480,296)	100,904	100,904	-
<b>Project Budget Subtotal</b>	<b>\$ 8,436,107</b>	<b>\$ (91,634)</b>	<b>\$ 8,344,473</b>	<b>\$ 4,047,781</b>	<b>\$ 4,296,692</b>
Project Contingency	843,611	-	843,611	-	\$ 843,611
<b>Total Project Budget</b>	<b>\$ 9,279,718</b>	<b>\$ (91,634)</b>	<b>\$ 9,188,084</b>	<b>\$ 4,047,781</b>	<b>\$ 5,140,303</b>

<sup>1</sup>Amended budget reflects only *approved* change orders.

<sup>2</sup>Limited term positions were converted to full-time employees as of 3/31/2013; costs will be reflected in Staff Costs from this point onward.

## Detail

Milestone Description	Scheduled Invoice Date	Amended Budget	Holdback (15%)	Net Scheduled Payment	Amount Incurred
Project Initiation / Initial License Payment (Development License)	March-12	\$ 200,000	\$ -	\$ 200,000	\$ 200,000
QA Hardware and Software Installed and Configured	May-12	128,000	(19,200)	108,800	108,800
Detailed Implementation Plan Approved	June-12	96,000	(14,400)	81,600	81,600
V3 Baseline Application Configuration & Demonstration Complete	August-12	224,000	(33,600)	190,400	190,400
Rollout 1: VCERA Confirms Segment A Functionality Delivered and Validated	November-12	224,000	(33,600)	190,400	190,400
Rollout 1: VCERA Confirms Segment B Functionality Delivered	March-13	224,000	(33,600)	190,400	190,400
Rollout 1: VCERA Confirms Segment C Functionality Delivered	June-13	224,000	(33,600)	190,400	-
Change Order 3489 Execution	July-13	370,720		370,720	370,720 *
Holdback Release	July-13		168,000	168,000	168,000 *
Rollout 1: VCERA Confirms Segment D Track 1 Functionality Delivered	September-13	314,640		314,640	314,640
Rollout 1: VCERA Confirms Segment D Track 2 Functionality Delivered	December-13	314,640		314,640	-
Rollout 1: VCERA Confirms Segment F Functionality Delivered	March-14	139,200		139,200	-
Rollout 1: VCERA Confirms Segment G Functionality Delivered	July-14	139,200		139,200	-
Rollout 1: VCERA Confirms Segment H Functionality Delivered	August-14	139,200		139,200	-
Rollout 1: VCERA Begins Parallel Testing of Transmittal Files	October-14	139,200		139,200	-
Rollout 1: VCERA Confirms Segment I Functionality Delivered	December-14	139,200		139,200	-
Rollout 1: VCERA Begins UAT	March-15	40,000		40,000	-
Rollout 1: VCERA Accepts System for Production	July-15	400,000		400,000	-
Rollout 2: Start of MSS Implementation	August-15	72,000		72,000	-
Warranty Complete: Three Months after R1 Go-Live	October-15	100,000		100,000	-
Rollout 2: VCERA Accepts MSS for Production	November-15	72,000		72,000	-
Warranty Complete: Three Months after R2 Go-Live	Feb-16	50,000	-	50,000	-
<b>Vitech Implementation Services Subtotal:</b>		<b>\$ 3,750,000</b>	<b>\$ -</b>	<b>\$ 3,750,000</b>	<b>\$ 1,814,960</b>
<b>Vitech Other Costs</b>		<b>Amended Budget</b>		<b>Paid This Qtr.</b>	<b>Cumulative</b>
Vitech V3 License Fee	August-12	\$ 575,000			\$ 575,000
Vitech V3 Upgrade Fee -	Various	450,000			-
Infrastructure Hosting	Various	376,000			25,000
Travel	On-going	82,500		5,000	40,000
Software Escrow Agreement	FY 13/14	3,000			-
<b>Vitech Other Costs Subtotal:</b>		<b>1,486,500</b>		<b>5,000</b>	<b>640,000</b>
<b>Vitech Services Total:</b>		<b>\$ 5,236,500</b>		<b>\$ 5,000</b>	<b>\$ 2,454,960</b>





Appendix B – Proposed Revised Payment Milestone Schedule

VCERA Service Payment Schedule

Total Services: 3,500,000

Invoice #	License Fee	Est Invoice Date	%	Gross Payment**	15% Withhold	Net Payment	Withhold Release	Total Payment	Milestone Description***	Months into	Cum % Months	Cum Services paid
1	\$ 575,000	Mar-12		200,000		200,000		200,000	Project Initiation / Initial License payment (development license)	-	0.0%	5.7%
2		May-12	4.00%	128,000	(19,200)	108,800		108,800	QA Hardware and Software Installed and Configured	3	6.4%	8.8%
3		Jun-12	3.00%	96,000	(14,400)	81,600		81,600	Detailed Implementation Plan Approved	4	9.6%	11.2%
4		Aug-12	7.00%	224,000	(33,600)	190,400		190,400	V3 Baseline Application Configuration & Demonstration Complete	6	14.7%	16.6%
5		Nov-12	7.00%	224,000	(33,600)	190,400		190,400	Rollout 1: VCERA confirms Segment A functionality delivered and validated	9	22.7%	22.0%
6		Jan-13	7.00%	224,000	(33,600)	190,400		190,400	Rollout 1: VCERA validates Segment B functionality delivered and validated	11	26.5%	27.5%
7		Apr-13	7.00%	224,000	(33,600)	190,400		190,400	Rollout 1: VCERA confirms Segment C functionality delivered and validated	13	33.9%	32.9%
8		May-13	7.00%	224,000	(33,600)	190,400		190,400	Rollout 1: VCERA confirms Segment D functionality delivered for Validation	15	36.7%	38.4%
9		Jul-13	9.00%	288,000	(43,200)	244,800		244,800	Rollout 1: VCERA begins UAT	16	41.5%	45.3%
10		Oct-13	18.00%	576,000		576,000	100,800	676,800	Rollout 1: VCERA accepts system for production	19	49.1%	64.7%
11		Feb-14	5.00%	160,000	(24,000)	136,000		136,000	Rollout 2: VCERA confirms Segment A functionality delivered for Validation	24	59.4%	59.7%
12		May-14	4.00%	128,000		128,000		128,000	Rollout 2: VCERA confirms Segment C functionality delivered and validated	27	67.0%	72.2%
13		Jun-14	4.50%	144,000		144,000		144,000	Rollout 2: VCERA confirms Segment B functionality delivered and validated	28	69.3%	76.3%
14		Oct-14	4.00%	128,000		128,000		128,000	Rollout 2: VCERA confirms Segment D functionality delivered and validated	32	79.7%	80.0%
15		Nov-14	5.00%	160,000		160,000		160,000	Rollout 2: VCERA begins UAT	33	82.0%	84.6%
16		Feb-15	4.00%	128,000		128,000		128,000	Rollout 2: VCERA accepts system for production	36	89.6%	88.2%
17		Apr-15	1.25%	40,000		40,000		40,000	Rollout 3: VCERA validates functionality	38	94.8%	89.4%
18		Apr-15	1.25%	40,000		40,000		40,000	Rollout 3: VCERA begins UAT	38	94.8%	90.5%
19		Jun-15	2.00%	64,000		64,000	168,000	232,000	Rollout 3: VCERA accepts system for production	40	100.0%	97.1%
20		Sep-15		100,000	-	100,000		100,000	Warranty Complete: one year after System Live Date			100.0%
	\$575,000		100.00%	3,500,000	(268,800)	3,231,200	268,800	3,500,000				

\*\*Each progress payment is based on the payment % of the full value less the \$200k and \$100k due at the beginning and end of the project.

\*\*\* Rollout 1 includes contribution processing and RDBS Replacement;  
 Rollout 2 includes benefit processing, payments, and  
 Rollout 3 will provide Member Self-Service



# 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>

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December 2, 2013

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

**SUBJECT: APPOINTMENT OF CHAIR AND VICE CHAIR FOR 2014**

Dear Board Members:

The Board of Retirement Bylaws and Regulations (Regulations) require the Board to take action at the first meeting in December to appoint a Chair and Vice Chair for the upcoming calendar year. The Regulations state that no member shall serve in either capacity until he/she has served on the Board for a minimum of one year.

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

Sincerely,



Donald C. Kendig, CPA  
Retirement Administrator

# VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200  
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December 2, 2013

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

**SUBJECT: CONSIDER APPROVAL FOR TRUSTEE CHRIS JOHNSTON TO ATTEND PUBLIC FUNDS SUMMIT, JANUARY 7-9, 2014, IN SCOTTSDALE, ARIZONA**

Dear Board Members:

Trustee Chris Johnston is requesting authorization to attend the Public Funds Summit, sponsored by Opal Financial Group, to be held January 7-9, 2014 in Scottsdale, Arizona. Attached to this Board letter is the preliminary agenda along with conference details.

The Board's [Education and Travel Policy](#) requires that the approval for travel to this workshop be made in an open meeting of the Board.

## **Fiscal Impact**

This request complies with the Board's Education and Travel Policy. The estimated cost for Mr. Johnston's attendance is estimated to be \$1,880, which includes airfare (\$435), workshop registration (\$395), hotel (\$900), and incidentals (\$150). The actual cost may be less by taking advantage of booking airfare early.

As of the most recent budget summary report dated October 31, 2013, we have expended approximately 53%, or \$34,100, of the \$65,000 line budget approved for Conference, Seminar and Travel. Approximately \$21,600 of the total line expenditure was for the due diligence site visit to Walter Scott and travel associated with the investment consultant search. These trips were not anticipated or included in the adopted budget. However, the total FY 2013-14 approved administrative operating budget represents 51% of the allowable maximum per Government Code 31580.2. Your Board would still be within the total allowable administrative spending limit if you chose to approve this trip. It is unknown at this time if the excess cost can be absorbed within the current fiscal year budget and staff will advise the Board if additional appropriations from contingency will be required during our mid-year budget update in January or February of 2014.



**CONSIDER APPROVAL FOR TRUSTEE CHRIS JOHNSTON TO ATTEND PUBLIC FUNDS SUMMIT, JANUARY 7-9, 2014, IN SCOTTSDALE, ARIZONA**

December 2, 2013

Page 2 of 2

Staff recommends your Board's consideration and approval authorizing Trustee Chris Johnston attendance.

I would be happy to answer any questions you may have.

Sincerely,



Donald C. Kendig, CPA  
Retirement Administrator

Attachment



## Public Funds Summit

January 7-9, 2014  
Scottsdale, AZ

[ADD TO YOUR OUTLOOK CALENDAR](#)

[REGISTER NOW!](#)

[VIEW CURRENT AGENDA](#)  
(Agenda current as of 11-6-13)

**UPCOMING EVENTS**

**UPCOMING WEBINARS**

**REGISTER NOW AND SAVE**

**HOW TO BECOME A SPONSOR**

**REQUEST MORE INFORMATION**

### Conference Details:

Opal Financial Group's annual *public funds conference* addresses issues that are critical to the investment success of senior public pension fund officers and trustees in the new millennium. Although attendance is not limited to those in the public sector, the conference takes aim at topics that are of particular relevance to public pension funds. We will discuss how surplus returns should affect employee benefit plans, closely examine the processes for selection and evaluation of investment managers, investigate legal concerns with fund investment and management policies, as well as explore the benefits and pitfalls of a wide variety of investment strategies. By focusing on an atmosphere of education rather than sales or marketing, the Public Funds Summit provides a unique environment in which members of the public sector can exchange ideas and learn from other delegates, money managers and consultants.

### Topics Will Include:

- Pension Outlook: The State of the U.S. Retirement System
- New Styles and Strategies for Investing
- Asset Allocation best Practices
- The DB/DC debate
- Ongoing Education for Plan Fiduciaries and Participants
- Challenges facing Public Pension Plans
- Risk Management
- Manager Selection
- Equity Investing
- Securities Lending
- Hedge Funds
- Private Equity/Venture Capital
- Real Estate
- Real Assets – precious metals, timber, infrastructure, agriculture, managed futures, etc.
- Emerging and Frontier Markets
- Choosing the right advisor/consultant

**MAKE A SUGGESTION**

We would like to hear from you. Recommend a speaker or suggest a few topics. It's quick and easy. [Click to find out more.](#)

### Who Should Attend:

- Pension Rep - Trustee, Administrators, Commissioners, Staff
- Taft Hartley Reps - Trustee, Administrators, Commissioners, Staff
- Consultants
- Attorneys
- Accountants
- Hedge Funds
- Fund of Funds
- Real Estate Managers
- Equity Managers
- Venture Capitalists
- Private Equity
- Insurance Companies
- Benefit Companies
- Public Service Administrative Providers

### Testimonials:

"Opal is an outstanding company and puts on some of the best conferences I have ever attended. Their attention to detail is second to none. I look forward to their next offering."  
--Patrick Lynch, Trustee, Tampa Fire and Police Pension Fund

[MORE TESTIMONIALS](#)

### Past Industry Representation:

Chart I: Institutional Investors/Consultants vs. Money Managers and Service Providers

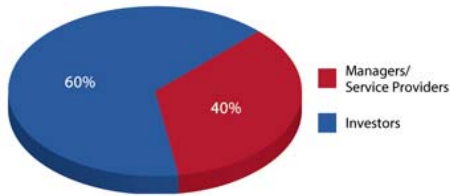
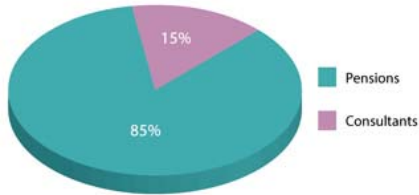


Chart II: Institutional Investors/Consultants



**Hotel Info:**

**The Phoenician**  
6000 East Camelback Rd.  
Scottsdale, AZ 85251

**ONLINE HOTEL RESERVATION**

We are pleased to announce that the Opal room block is open and we are accepting reservations. Please click on the [ONLINE HOTEL RESERVATION](#) link to book your room. The hotel will not accept individual call-ins.

- Rooms are available only to those participants who are registered conference attendees.
- Rooms will not be guaranteed without a credit card.
- Rooms are allocated on a first come first serve basis. **Room types/rates are subject to availability.**
- The name on the form will be the name of the guest room.

**Conference Registration Prices:**

	Summer Incentive Rate** <i>(expired 8/15/13)</i>	Fall Rate <i>(expires 11/15/13)</i>	Standard Rate
Asset Managers & Service Providers	\$2,195	\$2,695	\$3,195
Pension/Union Trustee, Administrator, Director or Officer / Non-Discretionary Consultants	Complimentary		

Registration price reflects \$100 online discount

**REGISTER NOW!**

\*\*Summer Incentive Rate applies from May 10 - August 15, 2013. After, Fall Rates will apply from August 16- December 15, 2013. After, Standard Rates apply.

\*\*\* Institutional End-Investors include: organizations that are solely investing on their own behalf in alternatives and do not sell any alternative investment products or services to clients including: sovereign wealth funds, pension funds, endowments, foundations, family offices, private clients and treasury.

Subject to Opal Financial Group's approval. Eligibility will be verified.

**Sponsorship, Exhibition & Speaking Opportunities**  
Call: 212-532-9898 x 0  
Email: [info@opalgroup.net](mailto:info@opalgroup.net)

**Activity Sponsor:**



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