

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

June 20, 2016

MINUTES

DIRECTORS Tracy Towner, Chair, Alternate Safety Employee Member
PRESENT: William W. Wilson, Vice Chair, Public Member
Robert Bianchi, Alternate Public Member
Chris Johnston, Safety Employee Member
Deanna McCormick, General Employee Member
Craig Winter, General Employee Member
Arthur E. Goulet, Retiree Member
Will Hoag, Alternate Retiree Member

DIRECTORS Steven Hintz, Treasurer-Tax Collector
ABSENT: Peter C. Foy, Public Member
Joseph Henderson, Public Member
Mike Sedell, Public Member

STAFF Linda Webb, Retirement Administrator
PRESENT: Lori Nemiroff, Assistant County Counsel
Henry Solis, Chief Financial Officer
Dan Gallagher, Chief Investment Officer
Julie Stallings, Chief Operations Officer
Shalini Nunna, Retirement Benefits Manager
Vickie Williams, Retirement Benefits Manager
Chantell Garcia, Retirement Benefits Specialist
Stephanie Caiazza, 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. CALL TO ORDER

Chair Towner called the Business Meeting of June 20, 2016, to order at 9:00 a.m.

II. APPROVAL OF AGENDA

MOTION: Approve.

Moved by Wilson, seconded by Winter.

Vote: Motion carried

Yes: Goulet, McCormick, Bianchi, Johnston, Winter, Wilson

No: -

Absent: Foy, Henderson, Sedell, Hintz

III. APPROVAL OF MINUTES

A. Disability Meeting of June 6, 2016.

MOTION: Approve.

Moved by Johnston, seconded by Goulet.

Vote: Motion carried

Yes: Goulet, McCormick, Bianchi, Johnston, Winter, Wilson

No: -

Absent: Foy, Henderson, Sedell, Hintz

IV. CONSENT AGENDA

A. Approve Regular and Deferred Retirements and Survivors Continuances for the Month of May 2016

B. Receive and File Report of Checks Disbursed in May 2016

C. Receive and File Budget Summary for FY 2016-17 Month Ending May 31, 2016

- D. Receive and File Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Schedule of Investments and Cash Equivalents, and Schedule of Investment Management Fees for the Period Ending April 30, 2016

MOTION: Approve Consent Agenda.

Moved by Wilson, seconded by Johnston.

Vote: Motion carried

Yes: Goulet, McCormick, Bianchi, Johnston, Winter, Wilson

No: -

Absent: Foy, Henderson, Sedell, Hintz

V. INVESTMENT MANAGER PRESENTATIONS

- A. Receive Annual Investment Presentation from Parametric, Justin Henne and Ben Lazarus Receive Annual Investment

Justin Henne and Ben Lazarus were present on behalf of Parametric to provide an organizational and investment performance update.

- B. Receive Annual Investment Presentation from GMO LLC, Neil Constable and Ryan Dawley

Neil Constable and Ryan Dawley were present on behalf of GMO LLC to provide an organizational and investment performance update.

After this presentation, the Board proceeded to item VII.B. scheduled for 10:00 a.m.

VI. INVESTMENT INFORMATION

- A. NEPC – Dan LeBeau
VCERA – Dan Gallagher, Chief Investment Officer

1. Presentation of Investment Performance Report Month Ending May 31, 2016
2. Private Equity Report
3. NEPC Report on GMO

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

MOTION: Receive and file Items VI.A.1-3.

Moved by Wilson, seconded by Winter.

Vote: Motion carried

Yes: Goulet, McCormick, Bianchi, Johnston, Winter, Wilson

No: -

Absent: Foy, Henderson, Sedell, Hintz

VII. OLD BUSINESS

A. AB1291 Update

Chair Towner informed the Board that there was nothing new to report.

B. County of Ventura Proposal to Comply with Publicly-Available Pay Schedule Requirement Market-Based Premium Payments for Pensionability

Time: 10:00 a.m.

1. Staff Letter
2. Counsel Memorandum to Board Regarding COV Proposal to Comply with Publically Available Pay Schedule for MBPP Items, Ashley Dunning, Nossaman LLP
3. Letter from Shawn Atin, Director of Human Resources for County of Ventura
4. Updated Job and Code Salary Listing

Ms. Webb provided background on this topic, explaining that it was coming back from the October 2015 meeting when the Board of Retirement took action on specific pay codes as pensionable compensation under PEPRA, adding addenda to the previous Board Resolution. In the category of Market-Based Premium Pay (MBPP), staff recommended those codes be excluded on the basis that MBPP did not appear to meet the test of being paid "not only to the member but also to similarly situated members of the same group or class of employment", because some in the same classifications received MBPP and some did not. She said at that time the County of Ventura (COV) had disagreed, asserting that MBPP should be pensionable because it is treated by the County as base pay. Ms. Webb related

that in meetings and discussion with the County of Ventura's CFO, Auditor-Controller staff and Counsel, as well as in remarks previously made in open session, the County stressed that receipt of MBPP was based on date of hire, which was what distinguished a group or class within a given classification, and thus the determining factor in who received MBPP and who did not. In October 2015, the Board accepted COV's argument and voted that MBPP would be included in pensionable compensation, but as part of that action, requested the Board of Supervisors provide a publicly available pay schedule for MBPP items before July 1, 2016.

Ms. Webb reported that COV responded to the Board's request, and that response was provided in the agenda packet. Staff and Counsel reviewed the response in light of the individually listed criteria of a "publicly available pay schedule", and while most of the criteria were met, there was one exception that was significant. The response still did not provide the conditions for payment – or the "who gets it and who doesn't" test. Outside Counsel agreed that this was a missing component. Ms. Webb said staff had asked the County to expand what was initially provided to include date of hire information, based on COV's previous assertion that date of hire was what established a similarly-situated group or class. It had not been added, so staff recommended the Board request this information be added to the COV's posting.

Ashley Dunning of Nossaman LLP, said she agreed with the Retirement Administrator's summary and analysis, and that in addition to the point made by Ms. Webb regarding "similarly-situated group or class", that ad hoc discretionary bonuses are not to be included in pensionable compensation. Further, the way to determine whether a payment is ad hoc or discretionary is to examine the objective basis or criteria for that payment. That is a key reason why publicly available pay schedules should identify the basis by which someone receives a payment and also effectively prevent inflated pensionable compensation in the final measurement period.

Shawn Atin, Director of Human Resources for the County of Ventura addressed the Board and said he was not present at the original discussions last October, but that ultimately the Board had already decided that MBPP was to be included in pensionable compensation, and that the question now was how to make the information publicly available. He said that base pay schedules are not accompanied by employees' date of hire, that base pay can go up or down, and in extreme times some agencies have decreased base pay. Mr. Atin

stated his opinion that the Board of Retirement had made base pay and market-based premium pay “akin” by their action. He said he had communicated with both Board Counsel and the Retirement Administrator to ask what, in their view, was compliance. He said that prior to receiving the letter, he was not aware that VCERA believed date of hire should be included. Mr. Atin said that the MOU provisions for MBPP do not mention date of hire, but that the SEIU portion of the MOUs reads, “the amount of the premium pay adjustment may be calculated as needed according to the changing labor market survey of comparable positions in local hospitals and private pharmacies.” Mr. Atin said that the MOU provides discretion for the amount of the MBPP and that MBPP is intended to provide a premium based on market conditions, and the market conditions are contingent at times – as is base pay – on date of hire. So two employees in the same job class do not always get the same base pay either; there are market conditions that change MBPP and base pay. If VCERA’s intent is to have a document that shows by date of hire who receives and who does not, Mr. Atin said he does not believe that to be the intent of the MOA and how it works. He said he saw in Counsel’s letter that date of hire is a factor in providing guidance as to who are a similarly-situated employees, but, in his opinion, date of hire will not show who is getting it and who is not. He said that if changing market conditions indicate that pay is over the market, there is discretion to reduce it because that is how it was negotiated in the MOA. Mr. Atin said he would take the staff letter back to his Legal Department and respond.

Mr. Webb said that the original request was for a response by June 30th, so the Board might want to allow more time. Mr. Atin said that 30 days should be fine, but stressed that his office had made a good faith effort and had posted what they believe to be full compliance on their website.

Ms. Webb said that VCERA staff was not trying to re-argue the nature of MBPP, but was simply analyzing what was provided by COV in light of the requirements and criteria of a publicly-available pay schedule. Staff and Counsel’s analysis showed that the missing piece was objective criteria used to determine which employees in a classification receive MBPP and which do not. She indicated that the Board has discretion to accept what the County had posted, to ask for more information, or take other appropriate action.

MOTION: Extend the date by which the County of Ventura is requested to create a publically available pay schedule for market based premium pay to August 1, 2016; and authorize Retirement Administrator and Board Counsel to determine whether the criteria is met.

Moved by Goulet, seconded by Winter.

Vote: Motion carried

Yes: Goulet, McCormick, Bianchi, Johnston, Winter, Wilson

No: -

Absent: Foy, Henderson, Sedell, Hintz

After further discussion, the following motion was made:

MOTION: Amend the agenda to proceed from this item to "IX. Closed Session", then return to item "VI.A. Investment Information" and the remaining agenda items.

Moved by Goulet, seconded by Johnston.

Vote: Motion carried

Yes: Goulet, McCormick, Bianchi, Johnston, Winter, Wilson

No: -

Absent: Foy, Henderson, Sedell, Hintz

VIII. NEW BUSINESS

- A. Recommendation to Approve Trustee Bianchi's Attendance at CALAPRS Principles of Pension Management for Trustees 2016, Pepperdine University, August 9 – 12, 2016

MOTION: Approve.

Moved by Johnston, seconded by Winter.

Vote: Motion carried

Yes: Goulet, McCormick, Bianchi, Johnston, Winter, Wilson

No: -

Absent: Foy, Henderson, Sedell, Hintz

- B. Ventura County Employees' Retirement Information System (VCERIS) Pension Administration Project – Brian Colker, Linea Solutions, Inc.

1. VCERIS Project Quarterly Status Update, and Considerations for FY 2016-17
2. VCERIS Project Monthly Status Update- April 2016
3. VCERIS Project Monthly Status Update- May 2016

Trustee Goulet stated that the monthly reports were arriving late. Mr. Colker suggested that the monthly reports be replaced by a simple update from staff on outstanding defects and the quarterly reports continue.

MOTION: Receive and file items VIII.B.1 – 3.

Moved by Wilson, seconded by Bianchi.

Vote: Motion carried

Yes: Goulet, McCormick, Bianchi, Johnston, Winter, Wilson

No: -

Absent: Foy, Henderson, Sedell, Hintz

Ms. Webb discussed the need for changes to the Linea contract. The Board directed staff to make a recommendation with background information and proposed changes to the contract at an upcoming meeting.

4. Member Self Service (MSS) Portal Implementation
RECOMMENDED ACTION: Approve.

- a. Staff Letter

MOTION: Approve.

Moved by Johnston, seconded by Winter.

Vote: Motion carried

Yes: Goulet, McCormick, Bianchi, Johnston, Winter, Wilson

No: -

Absent: Foy, Henderson, Sedell, Hintz

5. Amendment to the V3 System Hosting Agreement By and Between VCERA and VSG Hosting, Inc.

- a. Staff Letter

- b. Proposed Contract Amendment

MOTION: Approve.

Moved by Wilson, seconded by Johnston.

Vote: Motion carried

Yes: Goulet, McCormick, Bianchi, Johnston, Winter, Wilson

No: -

Absent: Foy, Henderson, Sedell, Hintz

IX. CLOSED SESSION

**A. CONFERENCE WITH LABOR NEGOTIATORS,
GOVT. CODE SECTION 54957.6**

Agency Designated Representatives:

Tracy Towner

Ashley Dunning of Nossaman LLP (by teleconference)

Prospective Unrepresented VCERA Employees:

Retirement Administrator

Retirement Chief Financial Officer

Retirement General Counsel

Retirement Chief Investment Officer

Retirement Chief Operations Officer

Upon returning to open session, the Chairman announced that the Board had taken no reportable action.

The Board proceeded to item "VI.A. Investment Information" and the other remaining agenda items.

X. INFORMATIONAL

- A. Report on CALAPRS Trustees' Roundtable, Submitted by Trustee Goulet

- B. McKinsey Report on Future Stock and Bond Returns

XI. PUBLIC COMMENT

None.

XII. STAFF COMMENT

Ms. Webb informed the Board that VCERA is working with the Auditor-Controller to resolve processes for errors and exceptions related to the bi-weekly transmittal file.

Mr. Gallagher provided an update on private equity investment negotiations. Mr. Gallagher stated that VCERA may receive additional invitations to join advisory committees.

Ms. Nemiroff stated travel expenses to advisory committee meetings is already included in capital contributions, and that an amended side letter with Pantheon will be necessary to revise the Board's previous request for separately invoiced travel expenses.

XIII. BOARD MEMBER COMMENT

Trustee Goulet requested that the next Board meeting agenda include a request for reconsideration of the decision to pay separately for the cost of traveling to the Pantheon advisory committee meetings. Trustee Wilson seconded the request.

XIV. ADJOURNMENT

The meeting was adjourned at 11:56 a.m.

Respectfully submitted,



LINDA WEBB, Retirement Administrator

Approved,



TRACY TOWNER, Chairman