

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

July 11, 2016

AGENDA

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

TIME: 9:00 a.m.

Members of the public may comment on any item under the Board's jurisdiction by filling out a speaker form and presenting it to the Clerk. Unless otherwise directed by the Chair, comments related to items on the agenda will be heard when the Board considers that item. Comments related to items not on the agenda will generally be heard at the time designated for Public Comment.

ITEM:

- | | | |
|-------------|---|--------------------|
| I. | <u>CALL TO ORDER</u> | Master
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| II. | <u>APPROVAL OF AGENDA</u> | 1 – 4 |
| III. | <u>APPROVAL OF MINUTES</u> | |
| | A. Business Meeting of June 20, 2016 | 5 – 14 |
| IV. | <u>RECEIVE AND FILE PENDING DISABILITY APPLICATION
STATUS REPORT</u> | 15 – 45 |
| V. | <u>APPLICATIONS FOR DISABILITY RETIREMENT</u> | |
| | A. Application for Service Connected Disability Retirement,
Dwayne S. Heath; Case No. 15-024 | 46 – 206 |
| | 1. Application for Service Connected Disability Retirement | |

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

- A. 2. Medical Analysis and Recommendation by County of Ventura, Risk Management, to grant Applicant's Application for Service Connected Disability Retirement, including supporting documentation
- 3. Hearing Notice, dated June 30, 2016
- B. Application for Non-Service Connected Disability Retirement, Cheryl A. Rice, Case No. 16-011 207 – 242
 - 1. Statement giving permission for the Board of Retirement to Proceed to act on the Application for Non-Service Connected Disability in her Absence dated July 1, 2016, signed by Applicant Cheryl A. Rice
 - 2. Waiver of Objection to Evidence Presented to the Board of Retirement in her absence and to the preparation of formal Findings of Fact if an NSCD is approved, dated July 1, 2016, signed by Applicant, Cheryl A. Rice
 - 3. Application for Non-Service Connected Disability Retirement
 - 4. Medical Analysis and Recommendation by County of Ventura, Risk Management, to grant Applicant's Application for Non-Service Connected Disability Retirement, including supporting documentation
 - 5. Hearing Notice, dated July 1, 2016

VI. OLD BUSINESS

- A. Consideration and Possible Action on the Following in the Implementation of AB 1291
Materials to be provided at the meeting.
 - 1. Memorandum of Agreement by and between the County of Ventura and the Ventura County Employees' Retirement Association for Risk Management Services

VII. NEW BUSINESS

- A. Consideration and Approval of IT Manager Contract
RECOMMENDED ACTION: Approve.
- 1. Staff Letter 243 – 244
 - 2. Contract 245 – 252
- B. Request for Statement of Work for Linea Solutions
Time Certain: 10:30 a.m.
- 1. Staff Letter 253 – 255
 - 2. Statement of Work 256 – 257
- C. Request to Increase Not-to-Exceed Amount for Nossaman, LLP
for AB 1291
- 1. Staff Letter 258
- D. Recommendation to Approve Retirement Administrator’s
Attendance at CALAPRS Administrators’ Institute, Coronado,
CA, September 21 – 23, 2016
RECOMMENDED ACTION: Approve. 259 – 260

VIII. 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

IX. INFORMATIONAL

- A. NEPC Brexit Research 261 – 277
- B. UBS 2016 Client Advisory Council, October 25-27, 2016,
Hartford, CT 278

IX. INFORMATIONAL (continued)

C. Walter Scott Investment Conference, October 6-7, 2016, 279–280
Edinburgh, Scotland

X. PUBLIC COMMENT

XI. STAFF COMMENT

XII. BOARD MEMBER COMMENT

XIII. ADJOURNMENT

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

June 20, 2016

MINUTES

DIRECTORS
PRESENT: Tracy Towner, Chair, Alternate Safety Employee Member
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
ABSENT: Steven Hintz, Treasurer-Tax Collector
Peter C. Foy, Public Member
Joseph Henderson, Public Member
Mike Sedell, Public Member

STAFF
PRESENT: Linda Webb, Retirement Administrator
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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

July 11, 2016

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

**SUBJECT: REVIEW AND APPROVAL OF PROFESSIONAL SERVICES CONTRACT
WITH NICHOLAS CHRISTOFFERSEN**

Dear Board Members:

As the Board is aware, VCERA has relied on external help for its Information Technology needs for several years. Throughout the V3 project, we have relied on the staff expertise of Vitech Systems Group, Inc., Linea and other vendors. While VCERA utilizes the County of Ventura's IT Services for general services (data network access, desktop support, software license and support, etc.), the proprietary nature of V3 requires specific experience and skills. Staff believes it is in VCERA's best interest to contract directly with an I.T. professional who can provide this expertise.

We are pleased to have the opportunity to request approval of the provided professional services contract with Nicholas Christoffersen. Mr. Christoffersen has more than fifteen years' experience with increasing responsibility from business analyst to senior manager and executive level advisor in complex software implementations in both small and large organizations. Since February of 2005, he has been a Senior Manager with Vitech, and in that role has worked directly on the VCERA PAS project since 2012. Because of this, we have already had the opportunity to work with him and appreciate the value of the unique services that he can provide. We believe this agreement will allow us to successfully navigate the conclusion of the PAS project and prepare us for future challenges with V3 as well as our other technology plans and strategies.

If considered by the Retirement Administrator to be in the best interest of VCERA, Mr. Christoffersen may be asked to attend a conference or training related to the services he will provide which may require out of state travel. For such occasions, staff recommends he be reimbursed for the travel-related costs, in accordance with the VCERA travel policy. Staff requests that the Board authorize the Retirement Administrator to approve reimbursement of such travel costs.

The amount requested for this service is included in the FY 2016-2017 budget.

RECOMMENDATION: APPROVE ATTACHED PROFESSIONAL SERVICES CONTRACT WITH NICHOLAS CHRISTOFFERSEN FOR AN AMOUNT NOT TO EXCEED \$200,000; AUTHORIZE RETIREMENT ADMINISTRATOR TO APPROVE REIMBURSEMENT OF MR. CHRISTOFFERSEN'S TRAVEL COSTS WHEN SUCH TRAVEL IS AT VCERA'S REQUEST AND IN ACCORDANCE WITH THE VCERA TRAVEL POLICY.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Linda Webb".

Linda Webb
Retirement Administrator

PROFESSIONAL SERVICES CONTRACT

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

This is a contract between the Ventura County Employees' Retirement Association, hereinafter referred to as VCERA, and Nicholas Christoffersen, hereinafter referred to as CONTRACTOR. The parties hereto agree as follows:

1. SCOPE OF WORK

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

2. COMPENSATION

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

3. PERFORMANCE PERIOD

This contract will be effective as of August 1, 2016 and will be for the period August 1, 2016 through June 30, 2017.

4. STATUS OF CONTRACTOR

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

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

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

5. CONTRACT MONITORING

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

6. INSURANCE PROVISIONS

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

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

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

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

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

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

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

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

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

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

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

7. INDEMNIFICATION AND HOLD HARMLESS

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

8. TERMINATION

Both parties retain the right to terminate this contract for any reason prior to completion by giving the other party in writing a 60-day notice. On completion or termination of contract, VCERA shall be entitled to immediate possession of, and CONTRACTOR shall furnish all deliverables for this particular project prior to any termination and VCERA shall pay any charges accumulated prior to such termination.

9. ADDENDA

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

10. CONFLICT OF INTEREST

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

11. CONFIDENTIALITY

Any reports, information, data, statistics, forms, procedures, studies and any other communication or form of knowledge given to or prepared or assembled by CONTRACTOR under this contract, shall be considered confidential, and shall not be made available to any individual or organization by CONTRACTOR without the written approval of VCERA, except as required by law.

12. NOTICES

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

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

TO CONTRACTOR: **Nicholas Christoffersen**
606 N. Genesee Avenue, Apt. 4
Los Angeles, CA 93006
Phone: 310.567.8168

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

13. MISCELLANEOUS

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

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

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

VCERA

Signature

Printed Name

Title

Date

Nicholas Christoffersen

Signature

Printed Name

Title

Date

SCOPE OF WORK

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

CONTRACTOR: **Nicholas Christoffersen**

CONTRACTOR will provide VCERA with oversight of technology functions and activities as requested by VCERA, on a time and materials basis, for the period Aug 1, 2016 through June 30, 2017. This SCOPE OF WORK shall only cover the services provided by Nicholas Christoffersen.

Specifically, the CONTRACTOR will work under the direction of the VCERA Retirement Administrator and be responsible for all IT services, complex technology and automated systems/functions, and will have full responsibility for multiple technologies utilized exclusively in VCERA and VCERA specific software which is not supported by Ventura County Information Technology Services Department. CONTRACTOR will not be liable for any design errors that were already in place at the time of the beginning of the contract term; however, CONTRACTOR will assist VCERA in identification of such errors, and serve as the primary liaison with system design vendor(s) in remediation efforts.

No fewer than 1520 hours will be completed during the contract term; this 1520 hour minimum shall be prorated if contract is terminated prior to end of term. CONTRACTOR and Retirement Administrator shall agree on schedule in which CONTRACTOR performs at least 70% of work on site, but with general availability during VCERA business hours, 8 AM to 5 PM.

Tasks included, but are not limited to, the following:

- Work closely with the VCERA management team and VCERA Board to determine enhancements to retirement systems; coordinate work to implement appropriate systems and upgrades and provide overall management of VCERA technology-related projects.
- Recommend Information Technology best practices and business process improvements and manage implementation of them to lead to organizational and operational efficiencies.

- Analyze and prepare various reports, budgets, operational/strategic plans, as well as recommend improvements in operations and/or changes/enhancements to service delivery methods.
- Assist in the preparation of the IT portion of the VCERA budget and monitor IT expenditures throughout the budget year.
- Recommend IT services sourcing and vendor management strategies and participates in negotiations for software and hardware purchases and other equipment, supplies and services.
- Serve as primary liaison with technology vendors on matters such as: scope of work, monitoring and mitigation of costs, contract compliance and delivery of services.
- Maintain responsibility for IT asset inventory, including V3 and member portal. Monitor hardware needs and track the purchase, surplus, or transition of all VCERA PCs, servers, monitors and other technology assets. Make recommendations on the purchase of new technology or upgrades to existing hardware and software.
- Develop policies and procedures to ensure the integrity, security and privacy of information maintained by VCERA. Develop and maintain the business recovery plan.
- Develop VCERA's Information Technology and Information System strategic plans to identify and promote long-term VCERA objectives.
- Consult with VCERA staff on training needs and materials, develop and participate in service training programs to ensure proper data handling and transmission.
- Manage all of VCERA's licensing/upgrades/maintenance contracts.
- Create new queries and schedule existing queries to run in the background.
- Maintain system validations and validation message texts and labels; review and update navigation and menu security. Conduct system audit tracking.
- Manage the internal systems not supported by County IT; serve as primary liaison with County IT on all VCERA technology issues.
- Work independently and cooperatively with VCERA's internal and external customers.
- Develop and implement short and long range automated strategies.

SCHEDULE OF FEES

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

CONTRACTOR: NICHOLAS CHRISTOFFERSEN

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

1. The hourly contracting rate shall be fixed at \$120.00 per hour for those tasks listed in Attachment A.
2. The total contract is not to exceed \$200,000.
3. No reimbursements for out of pocket expenses, with the exception of registration and travel-related expenses related to attending any conference or training at VCERA's request or direction; reimbursement limits will be in accordance with the VCERA travel policy.
4. CONTRACTOR shall submit detailed monthly invoices for hours worked in the following billing format:
Contract Services for (provide specific date)
(Total Hours Billed) x \$(hourly rate) = \$(Total Amount Billed)
5. Payment terms are net 30 days from date of invoice.
VCERA shall send payments to: Nicholas Christoffersen
606 N. Genesee Avenue, Apt. 4
Los Angeles, CA 93006
Phone: 310.567.8168
6. CONTRACTOR shall send monthly invoices to:

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

July 11, 2016

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

SUBJECT: RECOMMENDATION TO ENGAGE LINEA SOLUTIONS FOR WARRANTY TESTING AND SUPPORT FOR THE PERIOD OF 8/23/2016 – 11/24/2016.

Dear Board Members:

The existing contract agreement with Linea Solutions for project management and support related to the V3 Pension Administration System is set to expire August 22, 2016, based on the eight month extension approved by the Board in January of 2016. In light of this, the VCERA team has been assessing our anticipated need for Linea's services past the contract expiration date.

There are three (3) main areas in which Linea could provide valuable service and support in these early stages of the post-Live environment.

- 1) Warranty Period Testing. Continue to assist VCERA in the rigorous testing of the V3 system between 8/23/2016 and 11/24/2016 to ensure as many defects as possible are uncovered and reported to Vitech for resolution. Consultants would continue to work in coordination with VCERA's SMEs and Vitech's on-site team, as has been the case since March of 2012. (More specific information on these tasks is provided on the following page.)
- 2) Member Self-Service Rollout. Guide and work with VCERA staff to plan and execute a smooth and successful rollout of the Member Self Service portal. This effort would include advising on member communications, pilot planning, training of staff on portal-related information, portal enhancements, call center tracking and analysis, and other tasks as needed.
- 3) Tax Compliance and Enhancements Support. Provide testing services to assist VCERA with the implementation of programming in relation to tax compliance and other enhancements that are delivered during FY2016-2017. One consultant would perform testing services in coordination with VCERA's SMEs and Vitech's on-site team, analyzing defects, managing the defect reporting process, and working with Vitech and VCERA to ensure defects are prioritized, tracked, and resolved.

While staff would certainly welcome all of the guidance and assistance possible in the months to come given the current challenges, we recognize our responsibility to achieve our goals and provide quality service at the lowest possible cost. Therefore, in examining these three areas of potential engagement, staff focused on making a reasonable determination as to the maximum amount of work staff could take on themselves, and how much vendor support was unavoidably

necessary. Our deliberations were influenced significantly by the anticipated arrival of a contracted I.T. resource in late August, from whom we are confident we will receive strong V3 support.

Warranty Period Testing

We believe the most pressing need at this time is to continue to identify system defects before the end of the warranty period. This has been a priority of the Board, and supported by our feedback from our colleagues at other systems who have completed similar projects.

As communicated in a staff letter last month, our VCERA staff is presently operating at full capacity as they adjust to doing their day-to-day work in V3, utilizing the workarounds that have been established until all defects are remediated. Our subject matter experts (SMEs) and team leaders are not only working daily on defect identification and testing, but are also helping line staff in the new system, providing input on the Member Self-Service module completion, updating procedures, maintaining the workaround list for the entire team, and identifying errors and exceptions on the transmittal from the Auditor-Controller's office. Recently, they began performing the regular system administration tasks, which are time consuming and will be ongoing from this point forward.

Two on-site Linea employees are currently working side by side with our team, essentially as an extension of staff. They not only perform defect testing with our staff, but in addition, the Linea Technical Analyst manages the testing environment, serving as "captain" or "quarterback" by daily managing developments and updates on status, testing, priority, team member(s) assigned, etc. Finally, the Linea Technical Analyst and Project Support employee are the only users with back-end access to PAS who are not Vitech employees. (NOTE: We are working on transferring this knowledge to our existing staff; we believe the contract I.T. resource will play an integral part in this.)

As part of the daily work with our teams, Linea assists our line staff daily in their transition to V3, supporting their continued training, coaching and mentoring as they gain experience and confidence. When a new defect is identified, Linea assists in its documentation and in keeping daily processing on track with minimal disruption.

Put simply, our VCERA project team leaders strenuously maintain that the two Linea employees are critical to this process and have demonstrated VCERA's need for their continued engagement to maintain the team momentum and make the best use of the time remaining in the warranty period. When asked where Linea assistance is most critical, this area was identified by VCERA's project team leaders without hesitation.

Member Self Service (MSS) Rollout

Staff acknowledges that Linea would certainly be of great help in the coordination of a phased rollout of MSS to our members. However, we believe we could accomplish this on our own with a minimum amount of guidance and support from Linea in the form of a rollout plan. Rather than serving as a project manager for the rollout, we believe Linea could instead develop a "roadmap" for VCERA to follow. This document would include a proposed rollout timeline, including the staggered approach to announcing the presence of the portal, along with log-in instructions, to groups of members. The roadmap would also provide guidance on the communications to members, reference material for staff, and guidelines for responding to member questions and concerns in regard to the portal. Linea has agreed to provide the rollout

plan document as a deliverable for the cost of \$5,000 and this cost would include meeting with staff and working through their questions and feedback before the final report is delivered to the Retirement Administrator. Staff believes this is the most cost-effective way to approach MSS Rollout.

Tax Compliance and Enhancements Support

As discussed previously, system modifications related to the recently adopted IRS model regulations are not included in the scope of the current Vitech contract; neither is programming related to system enhancements. Staff is not prepared to propose engagement with Linea on these efforts at this time. Once the contracted I.T. resource has been engaged and has had the opportunity to assess the complexity of the necessary modifications, staff will be better able to determine how much outside support will be warranted.

Summary

Staff feels that among the three (3) areas of proposed future engagement with Linea Solutions, the one of most critical importance is clearly the continued on-site support of staff through the end of the warranty period in the areas described. As a secondary request, staff believes a detailed MSS rollout plan document would be a valuable tool to assist in launching the member portal ourselves. We do not request engaging Linea solutions in any work on IRS model regulations and enhancements at this time.

This would constitute a new engagement with Linea Solutions, and not a change order. Please note that Linea's rates have increased from the rates in the agreement executed in 2012. The following reflects the changes in the rates for the requested resources/Linea staff.

	2012 Rate	2016 Rate
Technical Analyst	\$185 per hour	\$200 per hour
Project Support Staff	\$60-\$95 per hour	\$100 per hour

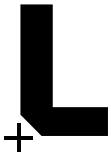
RECOMMENDATION: APPROVE ATTACHED STATEMENT OF WORK FOR LINEA SOLUTIONS IN AN AMOUNT NOT TO EXCEED \$175,300.

Both Brian Colker from Linea Solutions and I will be pleased to answer any questions on this recommendation at the July 11, 2016 disability meeting.

Sincerely,



Linda Webb
Retirement Administrator



Organization	VCERA	
Project	Warranty Period Testing and Support	
Subject	Statement of Work	
Written by	Brian Colker	
Date	7/11/2016	
Doc #	VC-SOW-09	
Vers.	1.0	Page 1 of 2

Statement of Work – Warranty Testing and Support

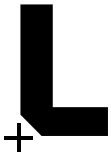
This Statement of Work details services to be provided under Linea Solutions (“Linea”) Master Services Agreement for general consulting services. Linea has been asked to provide post go-live services to assist VCERA with the testing of the V3 system and staff support during the warranty period, which is defined as 8/23/2016 – 11/24/2016.

Specifically, Linea will provide the following services:

- **System testing.** Linea consultants will work with VCERA subject matter experts, including VCERA’s IT staff, to design and execute test scripts to validate that the V3 system is operating as designed.
- **Defect reporting and management.** Linea consultants will work with Vitech and VCERA SMEs and IT staff to analyze and test the fixes that Vitech provides for previously reported defects. Linea consultants will assist with defect tracking, documentation, reporting, solution design, and execution.
- **Data issue analysis and resolution.** Linea consultants will work with VCERA SMEs, IT staff, and Benefits staff to analyze, document, and resolve data clean-up issues. Where necessary, they will work with Vitech to identify data issues that require scripts or other technical solutions.
- **VCERA staff support.** As required, Linea consultants will provide on-site support to VCERA Benefits and Fiscal staff in resolving issues with V3, including ad hoc training, issue analysis, and enhancement requests.
- **Technical training and transition.** Linea consultants will work with VCERA’s IT staff to assist with training on project activities and on the technical aspects of supporting and maintaining V3.
- **Warranty Obligation Oversight.** Linea consultants will assist in administration of the Vitech contract, monitoring adherence to defect remediation and warranty obligations.
- **Member Self-Service planning.** Linea consultants will collaborate with VCERA IT and the SMEs to produce a detailed roadmap for the rollout of the new Member Web Self-Service (MSS).

The estimated hours are presented below:

Area / Resource	Est. Hours	Est. Cost
Associate Consultant (\$100 / per hour)	516	\$51,600
Technical Analyst (\$200 / per hour)	516	\$103,200
Fixed cost for Member Self-Service Roadmap		\$5,000
Travel costs (estimated)		\$15,500
Total Not-To-Exceed Costs	1048	\$175,300



Organization	VCERA	
Project	Warranty Period Testing and Support	
Subject	Statement of Work	
Written by	Brian Colker	
Date	7/11/2016	
Doc #	VC-SOW-09	
Vers.	1.0	Page 2 of 2

These services will be provided on a time and materials basis. VCERA should note that the not-to-exceed amounts are for the total costs; Linea consultants may expend more or less hours in a given area or on a specific task. Travel expenses will be billed as actual.

LINEA SOLUTIONS, INC.

VCERA

By: 
Brian Colker, CFO

By: _____
Tracy Towner, Chairman of the Board

Date: 6/30/2016

Date: _____

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
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July 11, 2016

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

SUBJECT: REQUEST TO INCREASE NOSSAMAN ENGAGEMENT AMOUNT FOR SERVICES RELATED TO ASSISTING IN IMPLEMENTING GOVERNMENT CODE SECTION 31468 (AB 1291)

Dear Board Members:

In September 2015, the Board of Retirement approved staff's recommendation to engage outside counsel to facilitate successful implementation of the AB 1291 legislation for the five (5) VCERA positions impacted, and authorized staff to incur fees up to an amount not to exceed \$25,000, as that was the estimated cost for services. In December 2015, the Board approved an increase of this amount up to \$50,000 with an additional \$1,000 for expenses.

The necessary agreements with the County of Ventura needed for the full implementation of AB 1291 are still being negotiated through Nossaman. The Chair has requested that an additional \$25,000 be approved to accommodate the work Nossaman continues to perform for VCERA's behalf.

RECOMMENDATION: INCREASE THE RETIREMENT ADMINISTRATOR'S AUTHORIZATION TO PAY NOSSAMAN INVOICES IN AN AMOUNT NOT TO EXCEED \$75,000 FOR CONTINUED ASSISTANCE TO VCERA IN IMPLEMENTING GOVERNMENT CODE SECTION 31468 (AB 1291).

Sincerely,



Linda Webb
Retirement Administrator

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200

Ventura, CA 93003-6572

(805) 339-4250 • Fax: (805) 339-4269

<http://www.ventura.org/vcera>

July 11, 2016

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

SUBJECT: AUTHORIZATION FOR RETIREMENT ADMINISTRATOR TO ATTEND THE CALAPRS ADMINISTRATORS' INSTITUTE SEPTEMBER 21ST – 23RD IN CORONADO, CA.

Dear Board Members:

Staff requests authorization for to attend the CALAPRS, September 21ST – 23RD 2016. The cost to attend is approximately \$1,800 including registration, mileage, lodging and other related expenses.

VCERA staff will be pleased to respond to any questions you may have on this matter at July 11, 2016 business meeting.

Sincerely,

Sincerely,



Linda Webb
Retirement Administrator

California Association of Public Retirement Systems

CALAPRS

EDUCATION • COMMUNICATION • NETWORKING

Administrators' Institute
September 21-23, 2016
Loews Coronado Island



AGENDA

Wednesday, September 21	
3:00 - 5:30 PM	Check in at Loews Coronado
5:30 PM	Reception
6:30 PM	Welcome Dinner, Introductions <i>Jeff Wickman</i>
7:30 - 8:30 PM	Roundtable discussion of retirement administration issues: What's happening at your system? - Current Topics

Thursday, September 22	
7:30 - 8:30 AM	Buffet Breakfast
8:30 - 10:30 AM	How to Get People's Attention and Keep it Sam Horn
10:30 AM	Break
11:00 AM- 12:00 PM	Recruiting in a tightening labor market Andy Knox, Chelsea Partners
12:00 PM	Buffet Lunch and Topics
1:30 - 2:30 PM	Information Security / Online Service Functionality: Phishing, Fraud, and the Risk Appetite. A close look at the services we provide in the online world, the trends, and the challenges. CalPERS, OCERS
2:30 - 3:15 PM	Social Media: What it has become and what to do with it now
3:15 - 3:30 PM	Break
3:45 - 4:30 PM	Update on the transition to Special District status OCERS
6:00 - 6:45 PM	Reception (including Guests)
6:45 PM	Dinner (including Guests)

Friday, September 23	
7:30 - 8:30 AM	Buffet Breakfast & Round Table Discussions
8:30 - 9:45 AM	Fundamentals of Felony Forfeiture and Related Litigation Johanna Fontenot and Jill Rawal, LACERA
9:45 AM	Break
10:15 - 11:15 AM	Investment Beliefs Dan Bienvenue, Managing Director, Global Equity, CalPERS
11:15 - 11:45 PM	CALAPRS Business Meeting
11:45 - 12:30 PM	Box lunches to go
12:30 PM	Institute concludes

Institute Committee: Jeff Wickman (Chair), Donna Lum, Gregg Rademacher, Steve Delaney

TO REGISTER: Visit www.calaprs.org and submit the registration form by September 9, 2016



NEPC, LLC

YOU DEMAND MORE. *So do we.*SM

VCERA

Implications of Brexit

June 2016

NEPC Research

255 State Street, Boston, MA 02109 | TEL: 617.374.1300 | FAX: 617.374.1313 | www.nepc.com

BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | SAN FRANCISCO

MASTER PAGE NO. 261

- **Following elections in 2015, the Conservative Party led by David Cameron won a majority in Parliament and vowed to hold a nationwide vote on the UK's membership in the European Union**
 - June 23, 2016 was the referendum date to decide whether to remain or leave the EU

Platform Beliefs:

Remain in the EU	Leave the EU
Numerous economic benefits associated with membership	Regain control of domestic policy-making and sovereignty
'Single Market' system has enabled the UK to be Europe's financial capital	Perceived high cost of membership outweighs benefits
Trade advantages as the EU represents the biggest trading partner of the UK	Membership hinders business and economic development due to EU's overregulation

- **Though once seemingly improbable, the prospect of leaving the EU solidified in the weeks leading to the vote, pushing volatility higher across global financial markets and currencies**



- **The UK voted in favor of leaving the EU**
 - London, Northern Ireland, and Scotland voted to remain

Total results



Source: CNN



- **Markets responded dramatically on June 24th, with European equities down 7% broadly and 2% in the UK, currencies fell against the US Dollar from 2% (Euro) to 7% (British Pound), and government bond yields pushed further into negative territory in Germany**

- **The European Union (EU) is a politico-economic union of 28 member-states who operate under a single market system through a standardized legislative body**
 - The EU traces its origin to the end of World War II with the goal of increasing economic and social interaction to reduce the potential for conflict
 - The European Economic Community Treaty states its purpose is “to ensure the economic and social progress of their countries by common action to eliminate the barriers which divide Europe”
- **In 1973, the United Kingdom (UK) joined the common market and in 1975 a public referendum was held, which endorsed the UK’s continued membership**
- **In the following years, popular referendum regarding EU membership was suspended due to political tensions within the UK**
- **As early as 2007, David Cameron and the Conservative Party proposed a formal referendum on EU membership**
 - Cameron advocated for the UK to operate within a reformed special status with the EU
 - Four objectives of a reformed EU membership:
 - Maintain a single market system and open movement of capital and goods
 - Reduce perceived burdensome bureaucracy legislated by the EU
 - Greater role for national parliaments in EU’s political process
 - Restrict immigration access for EU members

Known

- **On June 24th, UK Prime Minister David Cameron announced his resignation and plans to step down in October**
- **The UK must trigger Article 50 of the Lisbon Treaty to begin the negotiation process of leaving the European Union**
 - Article 50 “provides for the negotiation of a withdrawal agreement between the EU and the withdrawing state, defining in particular the latter’s future relationship with the Union”
- **Heightened volatility across developed market currencies is likely to remain as financial markets discount the broad impact of Brexit**

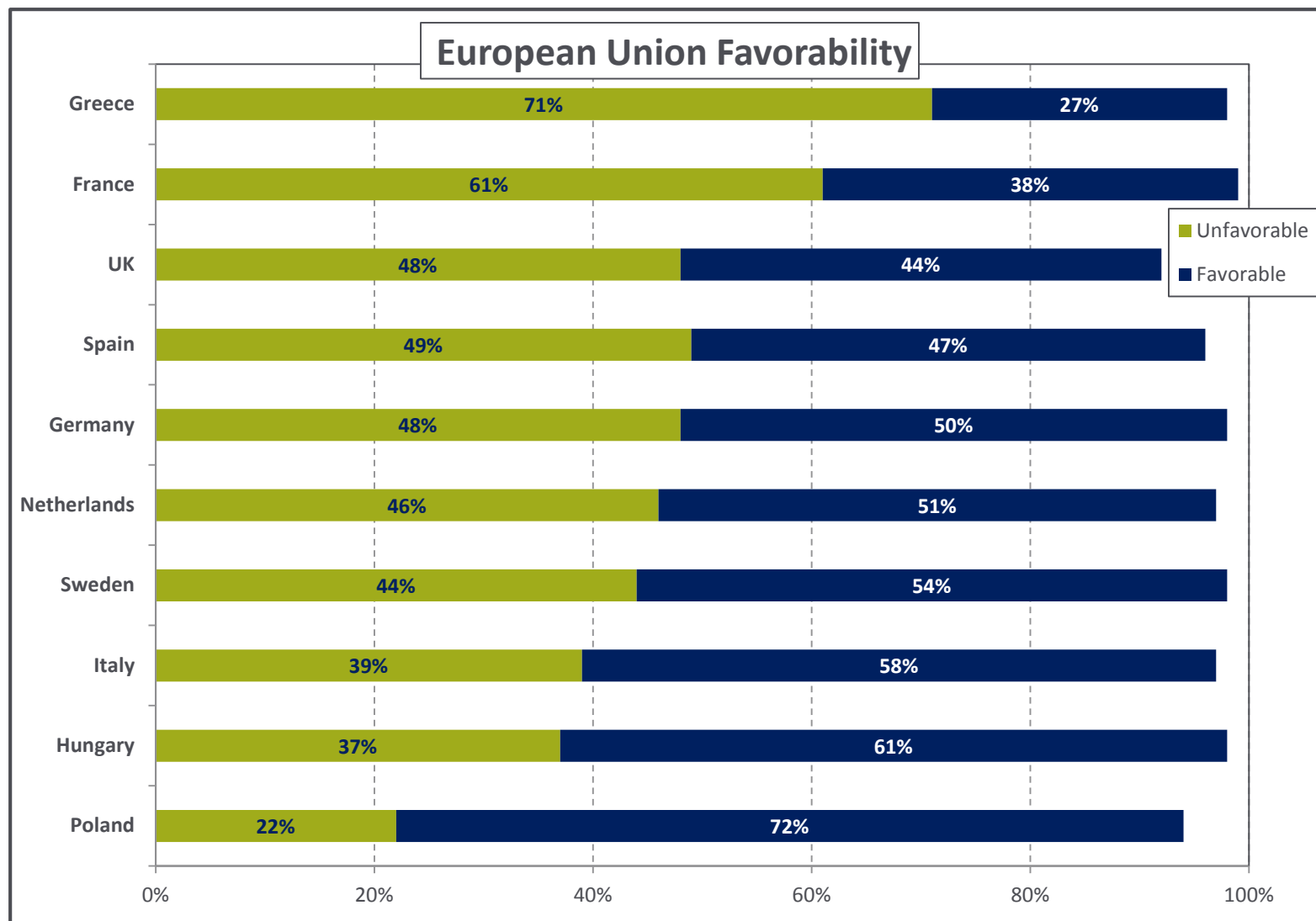
Unknown

- **Length of the EU and UK process to renegotiate trade agreements**
 - The options range from an arrangement similar to the current structure, akin to Norway or Switzerland, to bitter and protracted negotiations leading to significant economic disruption
- **Increased economic uncertainty in the UK and EU as hiring and capital investment decisions may be delayed or reduced**
- **Prospect of national referendums across the UK and EU**
 - UK integrity at risk with possible independence votes in Scotland and Northern Ireland
 - Cohesion of the EU should other nations hold national referendums on EU membership

- **Remain disciplined and look for rebalancing opportunities should global equity markets continue to sell off**
 - US duration exposure (Treasuries, Core Bonds) serve as a ready liquid funding source
 - Look to capture pockets of value in US equities and high yield bonds should they arise following a more significant drawdown
- **Maintain current exposure to non-US developed market equities**
 - A continued elevated risk environment may temper our overweight view
 - Small-cap equity and global equity are preferred implementation approaches
 - These strategies offer the best opportunity to exploit valuation discrepancies among individual stocks that may result from elevated volatility levels
- **Recommend investors continue to hedge developed market currencies**
 - 50% hedge ratio remains an ideal neutral point for developed currency exposure
 - Current US dollar valuation hovers within a neutral band, opportunities to tactically adjust currency hedge ratios may arise should the US dollar significantly strengthen or weaken
- **Encourage investors to shift from benchmark-focused global bond strategies to US duration exposure**
 - Negative global bond yields reduce their diversification benefit relative to higher US yields
 - Allocation to TIPS and long Treasuries continue to have a role in a diversified portfolio

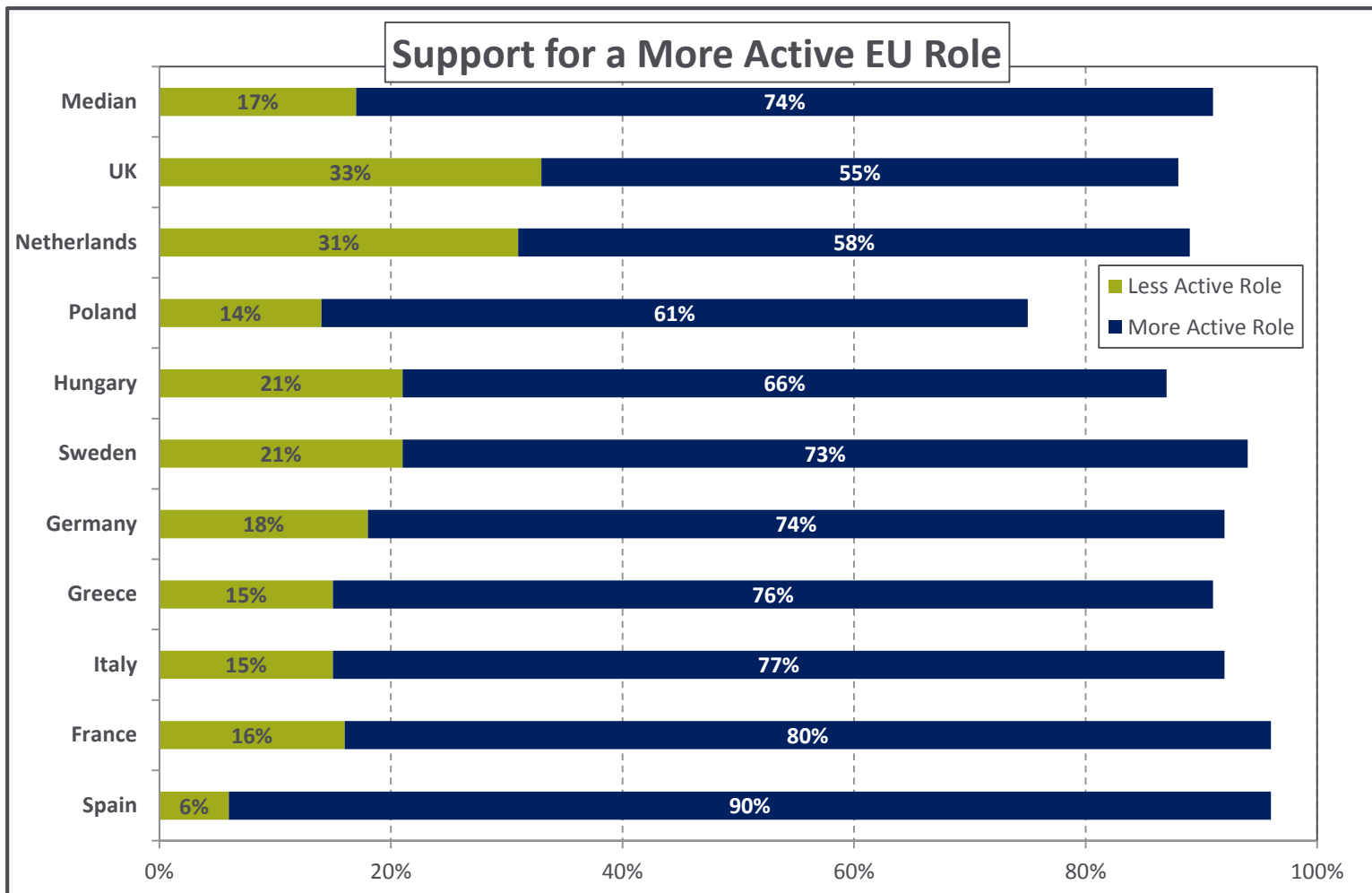


Opinions of the EU Differ Significantly by Country



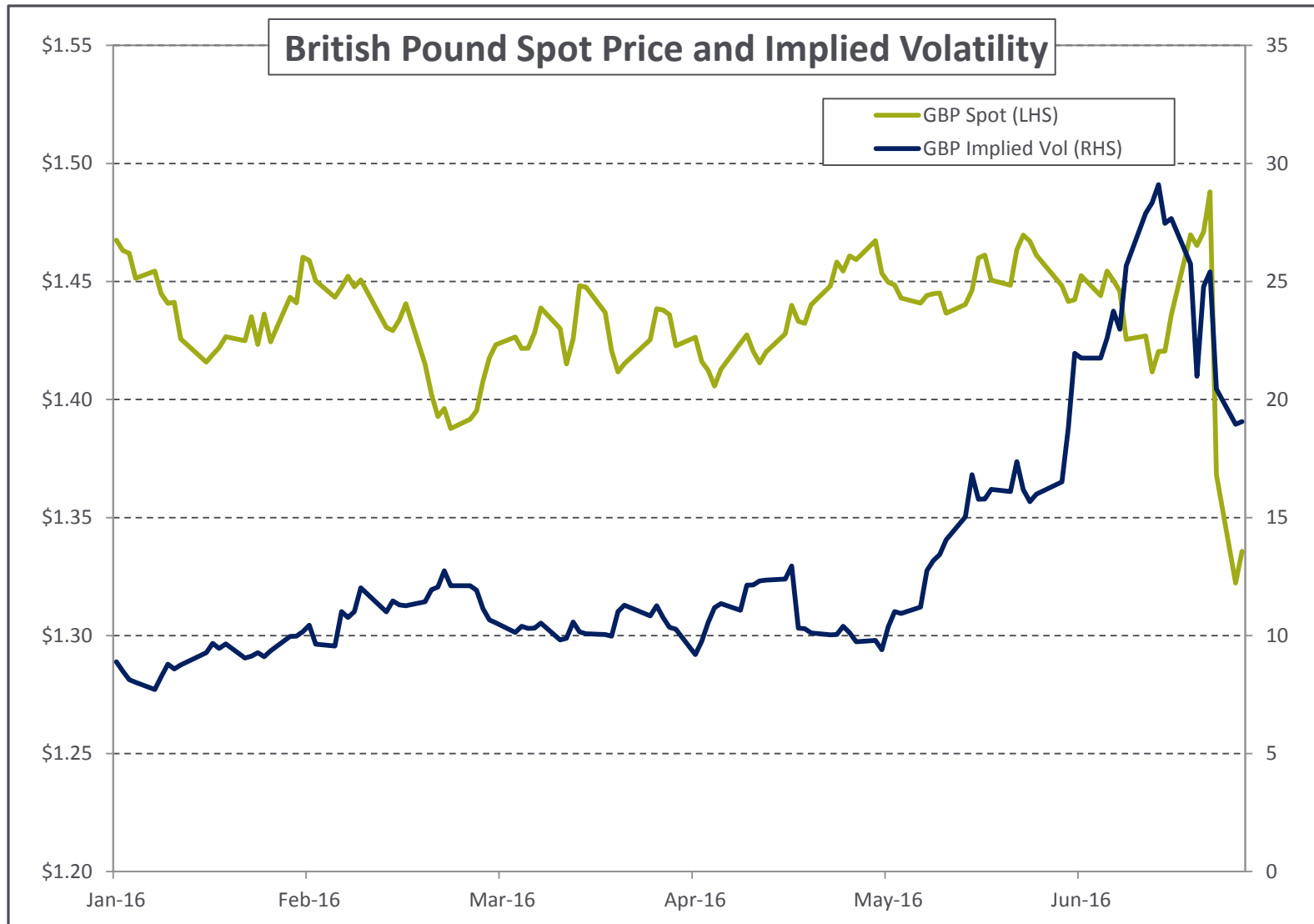
Source: Spring 2016 Global Attitudes Survey. Q10c.
"Euroskepticism Beyond Brexit"
PEW Research Center

- Counter to the conventional wisdom, majority of citizens desire a more active role from the European Union

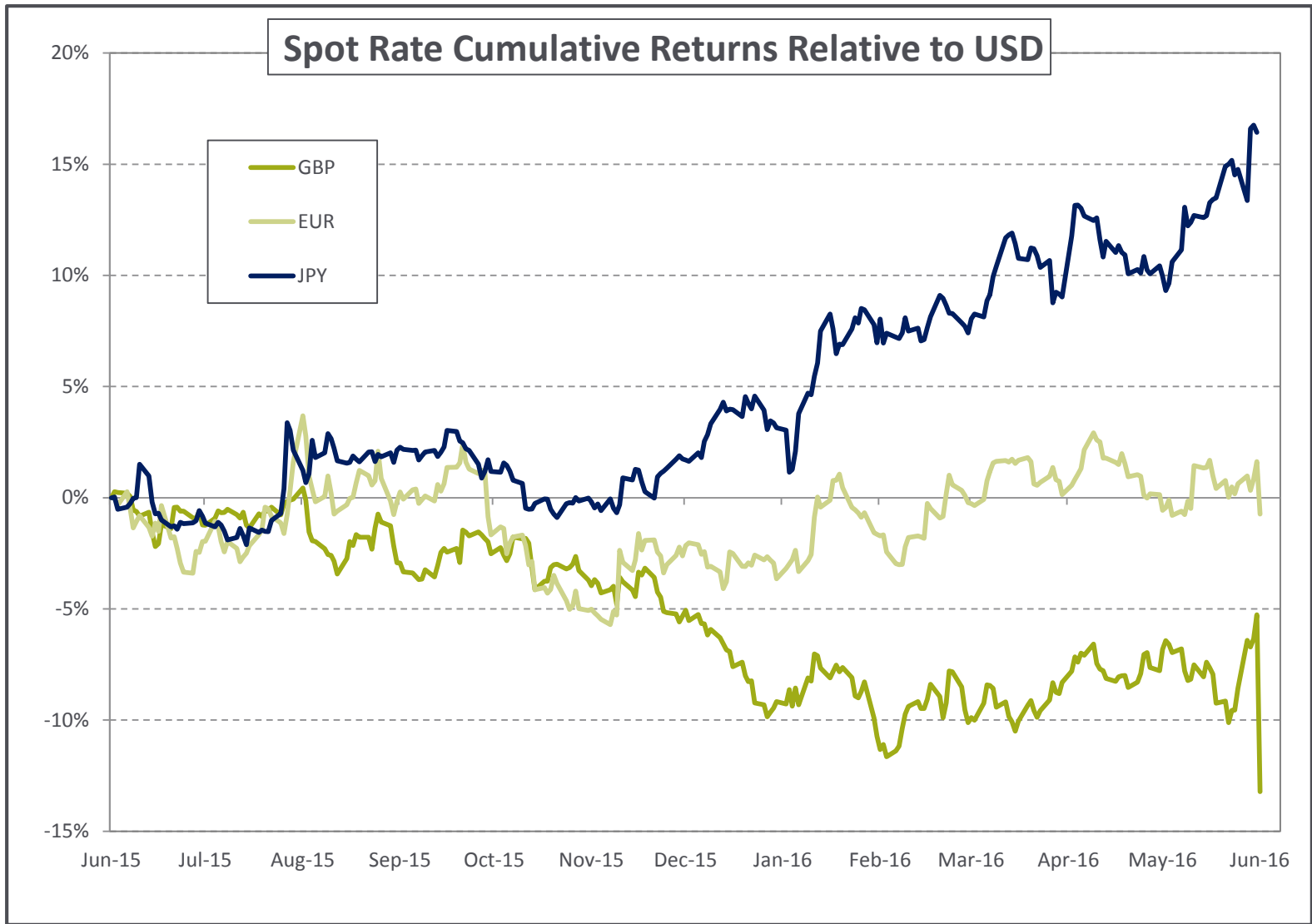


Source: Spring 2016 Global Attitudes Survey. Q39.
"Europeans Face the World Divided"
PEW Research Center

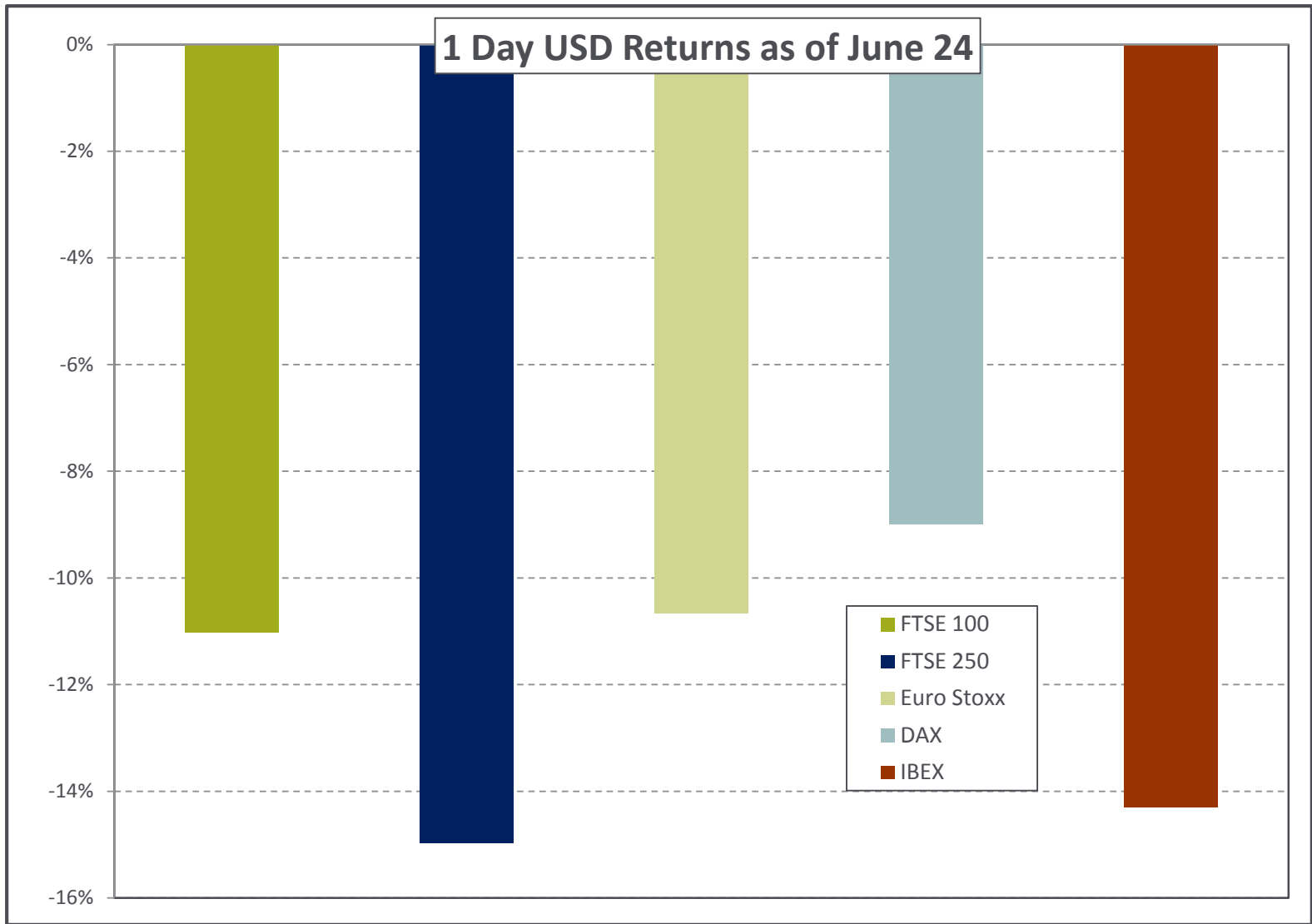
Increased Volatility Preceding the Vote and Pound Depreciation Following the Vote



Source: Bloomberg

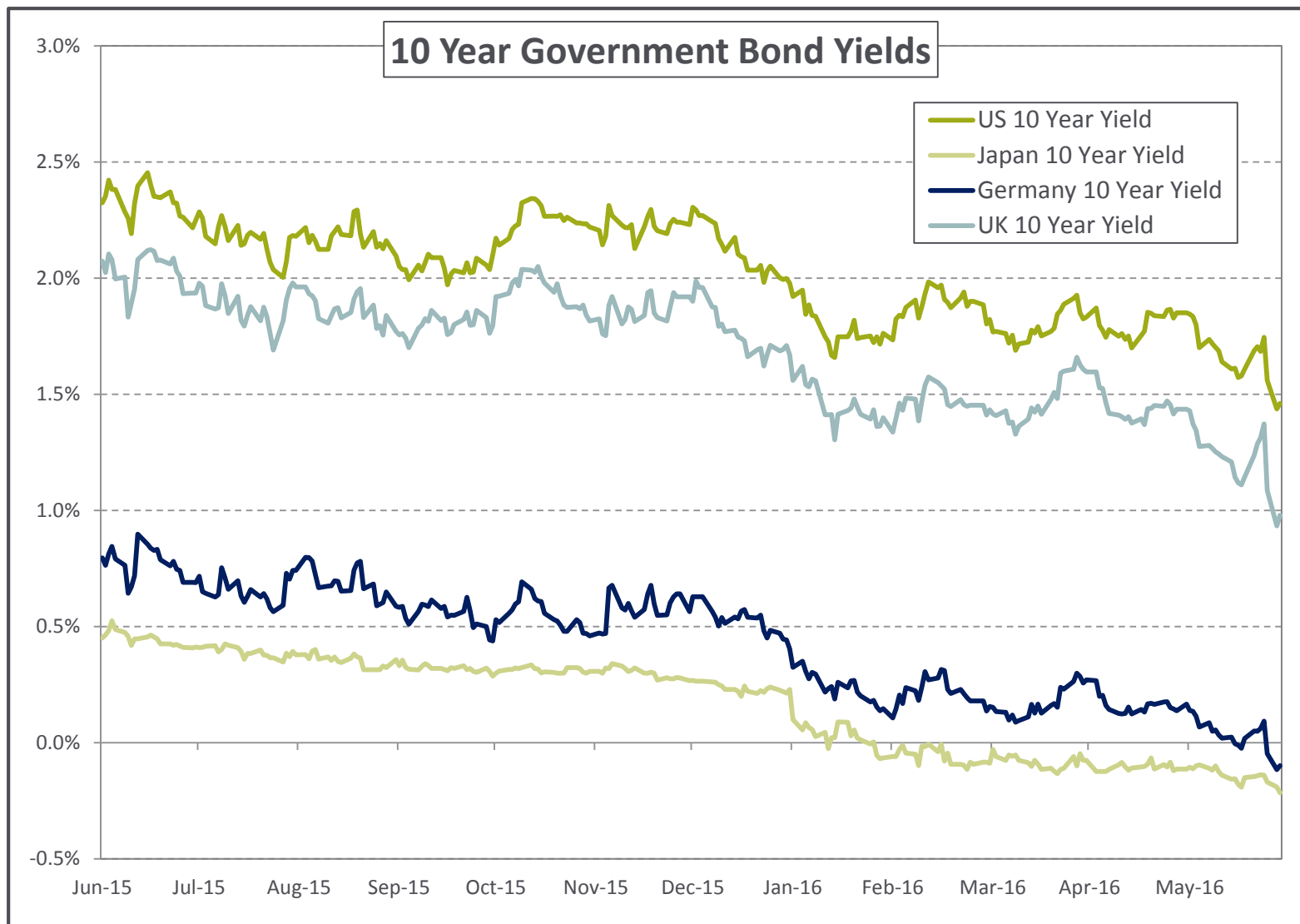


Source: Bloomberg



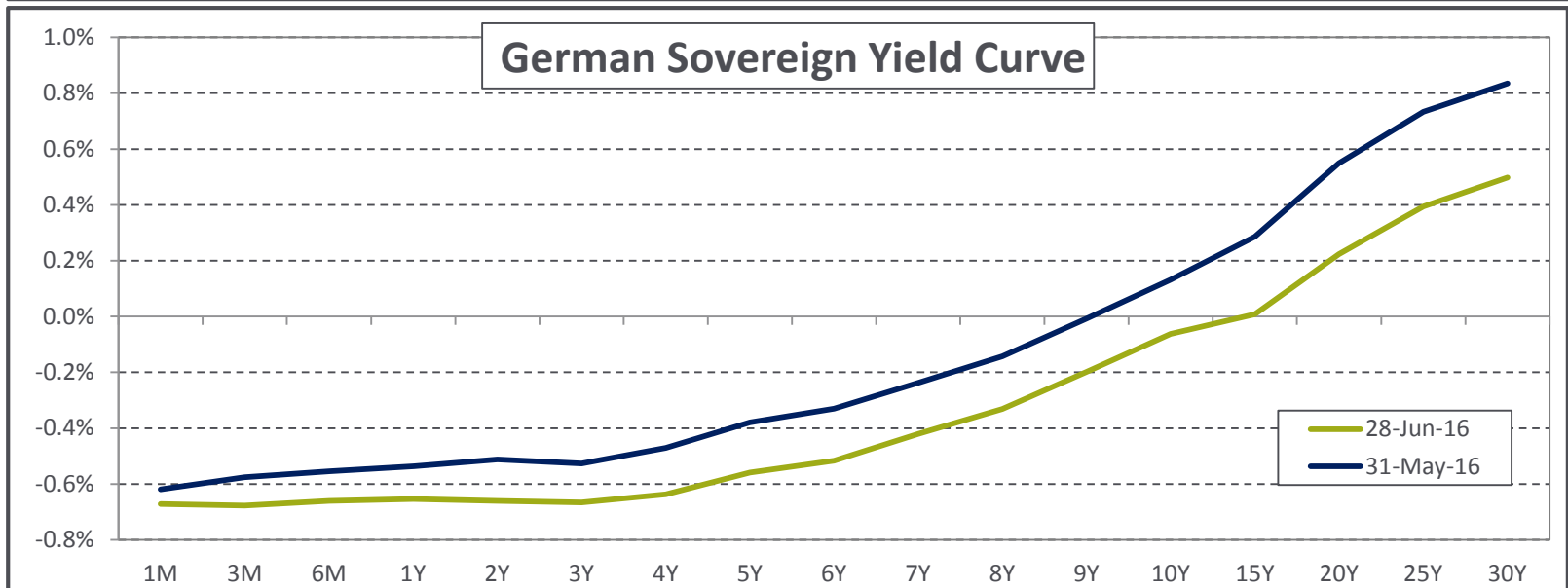
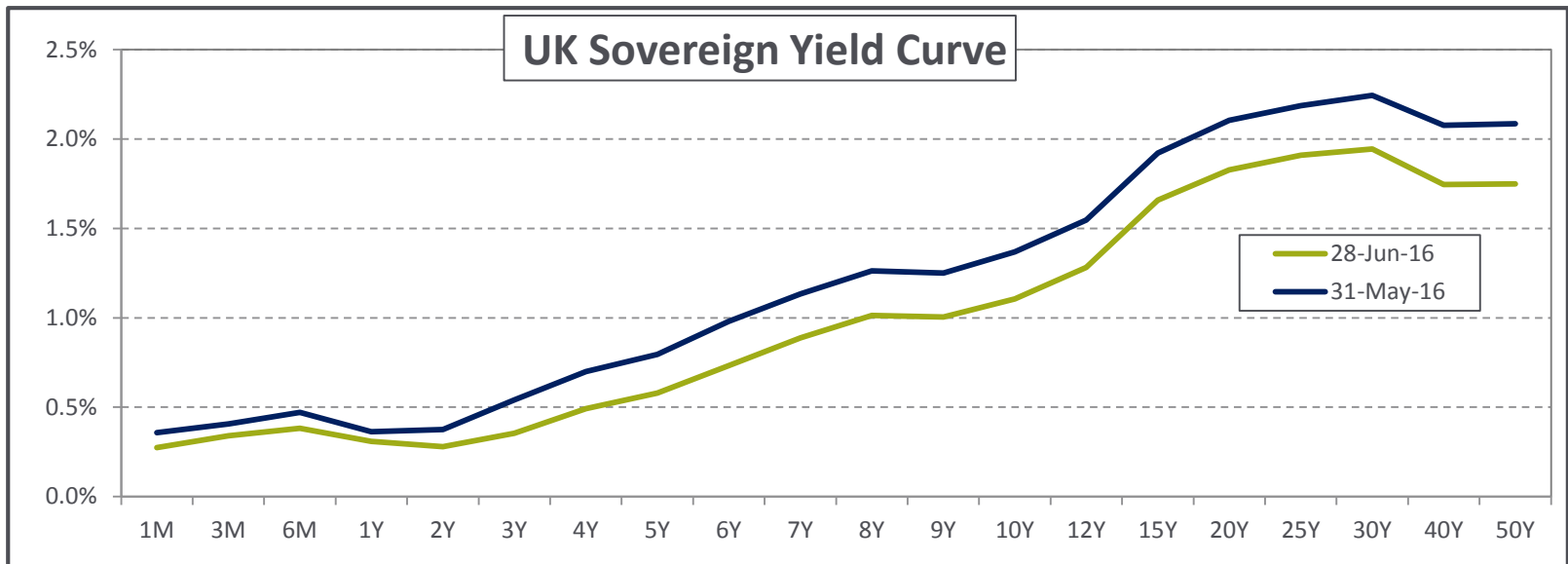
Source: Bloomberg

10 Year Bond Yields Have Been Pushed Even Lower



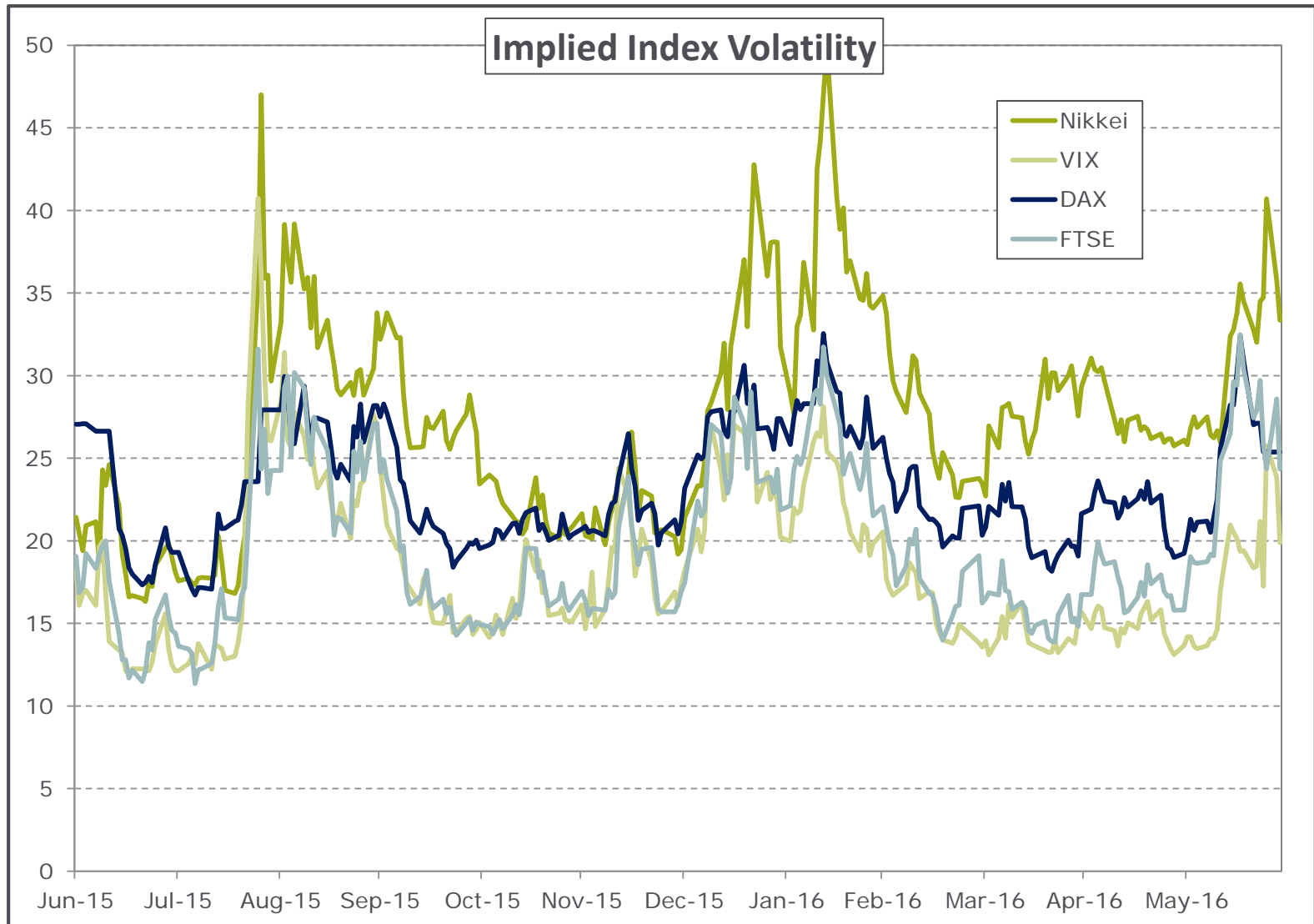
Source: Bloomberg

UK and German Yield Curves Shift Downward

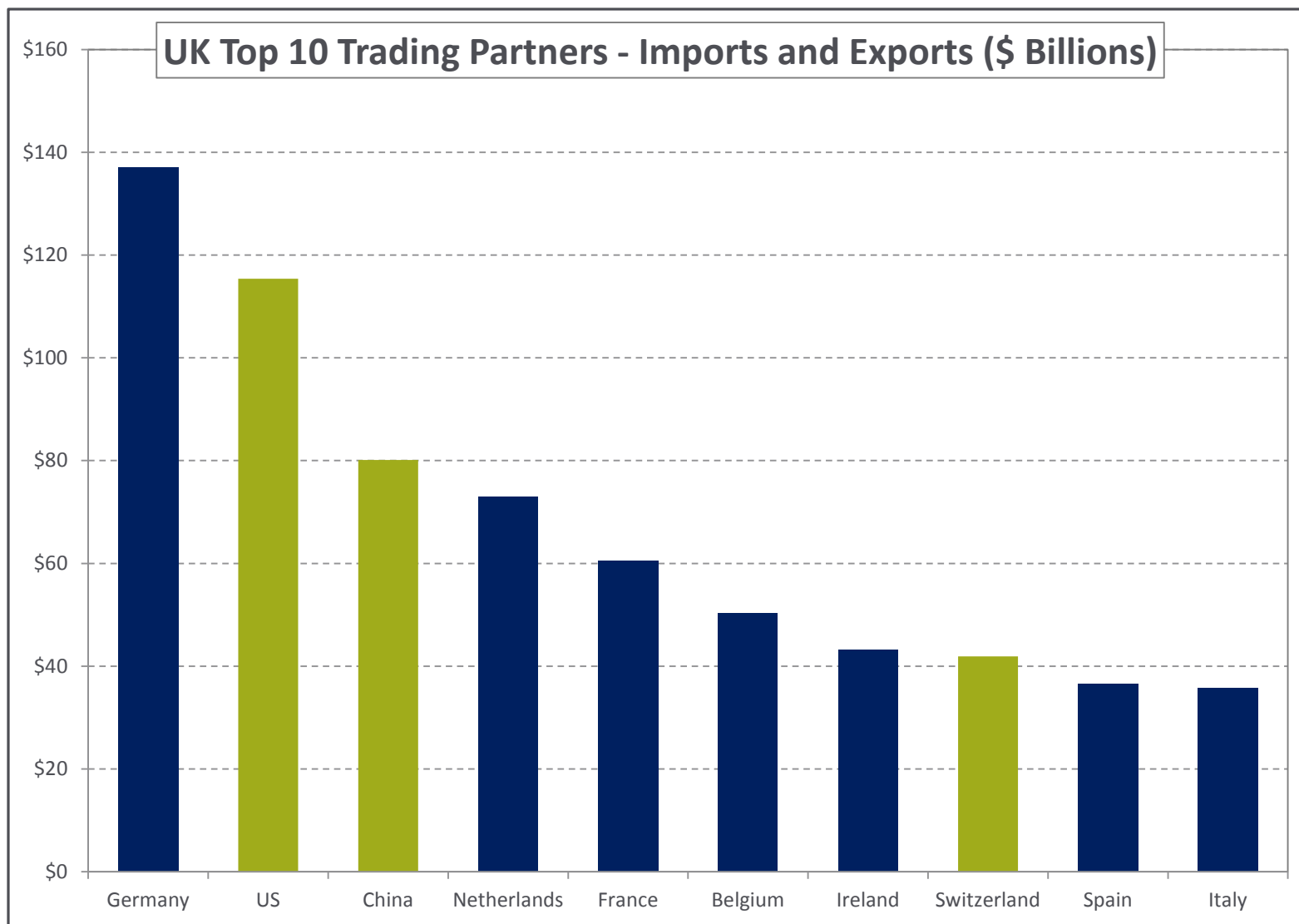


Source: Bloomberg

Equity Volatility Expectations Spike with Brexit but Not Extreme



Source: Bloomberg



Source: Bloomberg

Index Performance Summary as of 06/30/2016

Index	Week	MTD	QTD	YTD	1 Year
BC Agg	0.94%	1.81%	2.23%	5.33%	6.05%
BC US Agg Treasury	1.19%	2.36%	2.24%	5.52%	7.13%
BC Long Treasury	3.94%	6.74%	7.05%	15.77%	19.89%
S&P 500	-0.67%	-1.08%	1.08%	2.45%	2.87%
Russell 1000	-0.72%	-1.12%	1.16%	2.34%	1.85%
Russell 2000	-1.432%	-1.83%	1.96%	0.40%	-7.85%
MSCI ACWI	-1.82%	-1.73%	-0.03%	0.37%	-1.82%
MSCI EAFE	-4.021%	-4.219%	-2.15%	-4.93%	-4.02%
MSCI Europe	-5.32%	-5.12%	-0.91%	-7.78%	-11.37%
MSCI Japan	-4.21%	-9.65%	-7.66%	-19.22%	-23.28%
MSCI EM	-0.58%	2.52%	-0.72%	4.92%	-11.87%
FTSE 100	1.89%	3.96%	5.78%	5.95%	3.17%
FTSE 250	-6.31%	-5.32%	-3.16%	-5.53%	-4.91%
Euro Stoxx	-5.71%	-6.01%	-1.87%	-9.36%	-12.93%
German DAX	-5.63%	-5.68%	-2.84%	-9.91%	-11.56%
Japanese Nikkei	-3.97%	-9.52%	-6.95%	-17.38%	-21.59%

- **Past performance is no guarantee of future results**
- **The information in this report has been obtained from sources NEPC believes to be reliable. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within**
- **The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time**
- **This report contains summary information regarding the investment management approaches described herein but is not a complete description of the investment objectives, portfolio management and research that supports these approaches. This analysis does not constitute a recommendation to implement any of the aforementioned approaches**



2016 Client Advisory Council

UBS Asset Management, Global Real Estate – US

Trumbull Property Funds



Save the date!

October 25-27, 2016

Questions? Please contact your client relationship manager or the conference coordinator, Jennifer Cody at jennifer.cody@ubs.com, 860-616 9093 or Catherine Schuster at catherine.schuster@ubs.com, 860-616 9105.

The Client Advisory Council meetings qualify for CPE Credits.

The format of the meeting will vary slightly from previous Client Advisory Council meetings. This year all of the meetings will be held on Wednesday, October 26th beginning at 8:00 AM and property tours will be held on Tuesday October 25th in the afternoon and Thursday, October 27th in the morning .

UBS Realty Investors LLC

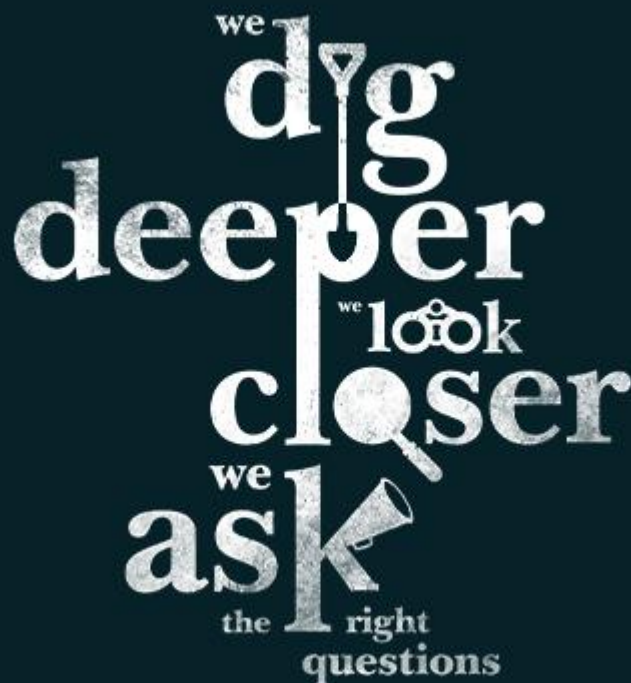
10 State House Square, 15th Floor

Hartford, CT 06103-3604

Tel. 860-616 9000

Invitation to follow in July

REMINDER TO REGISTER
THE WALTER SCOTT INVESTMENT CONFERENCE



THURSDAY 6TH &
FRIDAY 7TH OCTOBER 2016
EDINBURGH

We hope that you have now received an invitation to our quadrennial conference.

The conference programme has been designed to allow meaningful discussion with our guest speakers which in turn means there must be a limit on numbers. If you are able to join us we would urge you to register on the [conference website](#), as soon as possible.

The conference website includes a number of updates to the programme.

Emily Sheffield, Deputy Editor of British Vogue and James Daunt, founder of Daunt Books and Managing Director of Waterstones are recent additions to the roster. They will now join Rory Sutherland for a discussion on the global consumer on Thursday afternoon.

We have also expanded some of the breakfast and lunchtime sessions with certain speakers. However, please note, a number of these sessions have proved to be particularly popular and many are at capacity. There is a waitlist option on the conference website and we

will endeavour to accommodate your preferences if at all possible.

Outside the formal conference programme, we have added a visit to the Georgian House on Thursday morning and that afternoon one of Scotland's best known authors, Alexander McCall Smith has agreed to join us for afternoon tea, along with the Director of the Edinburgh International Book Festival, Nick Barley.

We very much hope you will be able to join us in Edinburgh in October.

Rodger Nisbet
Executive Chairman

Jane Henderson
Managing Director

PLEASE CLICK HERE FOR FURTHER
DETAILS AND TO REGISTER

Website password: **wsconference2016**

Walter Scott
Global Investment Management

Should you require any further information regarding the conference
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Walter Scott & Partners Limited, One Charlotte Square, Edinburgh, EH2 4DR, UK.
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