

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

September 12, 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
Page No. |
| II. | <u>APPROVAL OF AGENDA</u> | 1 – 6 |
| III. | <u>APPROVAL OF MINUTES</u> | |
| | A. Business Meeting of July 18, 2016 | 7 – 19 |
| | B. Special Meeting of July 21, 2016 | 20 – 24 |
| IV. | <u>RECEIVE AND FILE PENDING DISABILITY APPLICATION
STATUS REPORT</u> | 25 – 54 |
| V. | <u>APPLICATIONS FOR DISABILITY RETIREMENT</u> | |
| | A. Application for Service Connected Disability Retirement,
Hanson, Karen L.; Case No. 15-019 | 55 – 184 |

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

- A.
 - 1. Application for Service Connected Disability Retirement.
 - 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 August 26, 2016.

- B. Application for Service Connected Disability Retirement, Rawston, Ryann M.; Case No. 15-011 185–314
 - 1. Application for Service Connected Disability Retirement.
 - 2. Medical Analysis and Recommendation by County of Ventura, Risk Management, to grant Applicant's Application for Non-Service Connected Disability Retirement, including supporting documentation.
 - 3. Hearing Notice, dated August 15, 2016.

- C. Application for Service Connected Disability Retirement, Hardy, Clifford S.; Case No. 16-006 315–402
 - 1. Application for Service Connected Disability Retirement.
 - 2. Medical Analysis and Recommendation by County of Ventura, Risk Management, to grant Applicant's Application for Non-Service Connected Disability Retirement, including supporting documentation.
 - 3. Hearing Notice, dated August 15, 2016.

- D. Application for Non-Service Connected Disability Retirement, Lawson, Adria R.; Case No. 15-027 403–483
 - 1. Application for Non-Service Connected Disability Retirement

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

- D. 2. Medical Analysis and Recommendation by the County of Ventura, Risk Management, to grant Applicant's Application for Non-Service Connected Disability Retirement, including supporting documentation.
- 3. Hearing Notice, dated September 1, 2016.
- E. Application for Service Connected Disability Retirement, 484 – 514
Martinez, Michael S.; Case No. 14-015
 - 1. Proposed Findings of Fact and Recommended Decision, dated May 28, 2016, by Nancy T. Beardsley, Hearing Officer
 - 2. Applicant's Objection to Hearing Officer's Proposed Findings of Fact, Conclusions of Law and Recommended Decision received from David G. Schumaker, Attorney for Applicant, dated June 20, 2016
 - 3. Response to Applicant's Hearing Officer's Proposed Findings of Fact, Conclusions of Law and Recommended Decision received from Carol A. Kempner, Attorney for County of Ventura, Risk Management, received June 27, 2016.
 - 4. Hearing Notice, dated June 29, 2016.
- F. Application for Non-Service Connected Disability Retirement, 515 – 524
Bollinger, Susan; Case No. 12-032
 - 1. Summary of Evidence, Findings of Fact, Conclusions of Law and Recommendation, dated May 23, 2016, by Paul E. Crost, Hearing Officer
 - 2. Letter from B. Derek Straatsma, Attorney for Risk Management, dated September 6, 2016.
 - 3. Hearing Notice, dated June 29, 2016.

VI. OLD BUSINESS

- A. Update on Resolution of Transmittal Processing Issues with County of Ventura Auditor-Controller
- B. IT Manager Position Update
- C. Periodic Review of Board Policies:
RECOMMENDED ACTION: Approve
 - 1. Letter from Trustee, Will Hoag 525 – 526
 - a. Charter: Board of Retirement (Redline) 527 – 532
 - b. Charter: Chair (Redline) 533 – 534
 - c. Charter: Vice Chair (Redline- date change only) 535
 - d. Charter: Retirement Administrator (Redline) 536 – 541
 - e. Board Policy Development Process (Redline- date change only) 542 – 544
 - f. Monitoring and Reporting (Redline) 545 – 548
 - g. Service Provider Selection (Redline) 549 – 552

VII. NEW BUSINESS

- A. Review and Approval of Amended Conflict of Interest Code
RECOMMENDED ACTION: Approve
 - 1. Staff Letter 553
 - 2. 2016 Proposed Conflict of Interest Code (Proposed changes highlighted) 554 – 557
- B. Recommendations Regarding Appointments of Executives Under AB1291 including Proposed Salary and Benefits for Appointees, Chair Towner and Ashley Dunning of Nossaman LLP
 - 1. Memorandum from Chair Towner and Ashley Dunning 558 – 560
 - 2. Proposed Revisions to Salary Ranges in Exhibit 1 to VCERA Management Employees Resolution 561 – 563

VII. NEW BUSINESS (continued)

- B. 3. Legal Memorandum to Ventura County Counsel from Steptoe and Johnson, LLP Re: Transition of VCERA Employees under AB1291 Attachment A
- C. Request for COO Julie Stallings and Benefits Manager Shalini Nunna to Attend Vitech Users Conference, November 2 – 4, 2016, Orlando FL
RECOMMENDED ACTION: Approve
1. Staff Letter 564
2. Conference Agenda 565 – 567
- D. CIO Memo- Approval of Business Class Air Travel to Investment Manager Walter Scott for an Off-Site Due Diligence Visit and Investment Conference, October 4 – 7, 2016, in Edinburgh, Scotland 568
- E. Update on Due Diligence Visit to Adams Street and Parametric
- F. Quarterly Administrator’s Report for April – June, 2016 569 – 570
RECOMMENDED ACTION: Receive and file.

VIII. BOARD RETREAT

- A. Board Books Demonstration and Training, Phil Sandusky, Diligent Technologies
To be provided at the meeting
- B. Global Outlook and Investment Implications, Fred Post, Bridgewater 571 – 591
- C. Global Commodities, Jason Keller, Pinnacle 592 – 632
- D. View of the Future, Mark Kvamme, Drive Capital
To be provided at the meeting
- E. Looking Ahead to 2017, Dan Gallagher, VCERA CIO, Allan Martin and Dan LeBeau, NEPC

IX. INFORMATIONAL

- A. SACRS Fall Conference Agenda, November 8-11, 2016, Indian Wells, CA 633 – 635

IX. INFORMATIONAL (continued)

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| B. | Article from The Economist, False Hope | 636 |
| C. | CALAPRS Trustees Roundtable, September 30, 2016,
Burbank, CA | 637 |
| D. | Letter from MCERA, dated August 25, 2016 | 638 |
| E. | CALAPRS Intermediate Course in Retirement Plan
Administration, October 5 – 7, 2016, Burbank | 639 |
| F. | Article from P & I, Between a Rock and a Hard Place | 640 - 642 |

X. PUBLIC COMMENT

XI. STAFF COMMENT

XII. BOARD MEMBER COMMENT

XIII. ADJOURNMENT

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

July 18, 2016

MINUTES

DIRECTORS Tracy Towner, Chair, Alternate Safety Employee Member
PRESENT: William W. Wilson, Vice Chair, Public Member
Joseph Henderson, Public Member
Robert Bianchi, Alternate Public Member
Chris Johnston, Safety 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
Mike Sedell, Public Member
Deanna McCormick, General Employee 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
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 July 18, 2016, to order at 9:02 a.m.

II. APPROVAL OF AGENDA

MOTION: Approve.

Moved by Henderson, seconded by Bianchi.

Vote: Motion carried

Yes: Goulet, Henderson, Bianchi, Johnston, Winter, Wilson, Towner

No: -

Absent: Hintz, Foy, Sedell, McCormick

III. APPROVAL OF MINUTES

A. Disability Meeting of July 11, 2016.

MOTION: Approve.

Moved by Henderson, seconded by Goulet.

Vote: Motion carried

Yes: Goulet, Henderson, Bianchi, Johnston, Winter, Wilson, Towner

No: -

Absent: Hintz, Foy, Sedell, McCormick

IV. CONSENT AGENDA

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

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

C. Receive and File Budget Summary for FY 2016-17 Month Ending June 30, 2016 (Preliminary)

- D. Receive and File Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Schedule of Investment Management Fees, and Schedule of Investments and Cash Equivalents for the Period Ending May 31, 2016

MOTION: Approve Consent Agenda.

Moved by Henderson, seconded by Wilson.

Vote: Motion carried

Yes: Goulet, Henderson, Bianchi, Johnston, Winter, Wilson, Towner

No: -

Absent: Hintz, Foy, Sedell, McCormick

V. INVESTMENT MANAGER PRESENTATIONS

- A. Receive Annual Investment Presentation from Hexavest, Nadia Cesaratto

Nadia Cesaratto was present on behalf of Hexavest to provide an organizational and investment performance update.

- B. Receive Annual Presentation from Walter Scott, Margaret Foley

Margaret Foley was present on behalf of Walter Scott to provide an organizational and investment performance update.

VI. INVESTMENT INFORMATION

- A. NEPC – Alan Martin, Consultant
VCERA – Dan Gallagher, Chief Investment Officer

1. NEPC: Presentation of Investment Performance Report Month Ending June 30, 2016

MOTION: Receive and file.

Moved by Henderson, seconded by Winter.

Vote: Motion carried

Yes: Goulet, Henderson, Bianchi, Johnston, Winter, Wilson, Towner

No: -

Absent: Hintz, Foy, Sedell, McCormick

2. NEPC: Private Equity Report for Period Ending March 31, 2016

MOTION: Receive and file.

Moved by Henderson, seconded by Bianchi.

Vote: Motion carried

Yes: Goulet, Henderson, Bianchi, Johnston, Winter, Wilson,
Towner

No: -

Absent: Hintz, Foy, Sedell, McCormick

3. NEPC: GMO Update

MOTION: Receive and file.

Moved by Henderson, seconded by Wilson.

Vote: Motion carried

Yes: Goulet, Henderson, Bianchi, Johnston, Winter, Wilson,
Towner

No: -

Absent: Hintz, Foy, Sedell, McCormick

4. NEPC: GMO Cost Benefit Analysis

5. NEPC: Sprucegrove Cost Benefit Analysis

In response to a question by Trustee Goulet, Mr. Martin noted that NEPC would report back to the Board with a cash flow analysis of net of fees returns of the manager and a non-U.S. equity index fund.

MOTION: Receive and file items VI.A.4. and VI.A.5.

Moved by Goulet, seconded by Wilson.

Vote: Motion carried

Yes: Goulet, Henderson, Bianchi, Johnston, Winter, Wilson,
Towner

No: -

Absent: Hintz, Foy, Sedell, McCormick

6. VCERA Chief Investment Officer Dan Gallagher and 2016 VCERA Summer Associate Tavish Towner on Fair Value Reporting

Tavish Towner presented a status report on the new fair value reporting requirements.

MOTION: Receive and file.

Moved by Wilson, seconded by Winter.

Vote: Motion carried

Yes: Goulet, Henderson, Bianchi, Johnston, Winter, Wilson,
Towner

No: -

Absent: Hintz, Foy, Sedell, McCormick

7. Due Diligence Report on UBS, submitted by CIO Gallagher and Trustee Hoag

MOTION: Receive and file.

Moved by Wilson, seconded by Winter.

Vote: Motion carried

Yes: Goulet, Henderson, Bianchi, Johnston, Winter, Wilson,
Towner

No: -

Absent: Hintz, Foy, Sedell, McCormick

8. Due Diligence Report on Bridgewater, submitted by CIO Gallagher and Trustee Hoag

At the request of Trustee Goulet, Mr. Gallagher and Mr. Hoag provided more details on Bridgewater's emergency preparedness safeguards.

MOTION: Receive and file.

Moved by Henderson, seconded by Wilson.

Vote: Motion carried

Yes: Goulet, Henderson, Bianchi, Johnston, Winter, Wilson,
Towner

No: -

Absent: Hintz, Foy, Sedell, McCormick

9. Scheduling of Remaining 2016 Due Diligence Visits

Mr. Gallagher and the Board discussed possible dates for the remaining 2016 due diligence visits.

The due diligence visits to Hexavest in Montreal, Sprucegrove in Toronto, and Parametric in Minneapolis, MN, were scheduled to take place during the week of August 29, 2016.

The visit to Adams Street in Chicago, IL was tentatively scheduled to occur during the week of October 3, 2016. The due diligence visit to Walter Scott was tentatively scheduled for October 5 - 7, 2016, to coincide with the Walter Scott Investment Conference, October 6-7, 2016, Edinburgh, Scotland.

Mr. Gallagher requested that the Board members contact him if they are available to attend any of these due diligence visits.

10. Scheduling of 2016 Board Retreat

The Board decided that the annual retreat will be scheduled for September 12, 2016, to be combined with the Board's disability meeting in the VCERA Boardroom. The Board designated September 27th and September 28th as alternative dates for the retreat, in case of scheduling conflicts with the planned presenters.

11. Oral Update on Private Equity Funds Legal Review and Negotiations Status

Mr. Gallagher provided a private equity update, noting that Harbourvest had closed, Drive Capital was waiting for a final investor to go through their investment committee, and Adams Street documents were still in negotiation.

VII. OLD BUSINESS

A. AB1291 Implementation Update

1. Staff Letter

Ashley Dunning of Nossaman LLP was present to provide outside counsel's update on the implementation of AB1291.

Matt Carroll, Assistant Chief Executive Officer, was present on behalf of the County of Ventura.

B. Consideration and Possible Action to Adopt: Ventura County Employees' Retirement Association Management Employees Resolution and Resolution of the Board of Retirement Ventura County Employees' Retirement Association for Tax Deferred Retirement Contributions IRC 414(h)(2) Employer Pick-up.

1. Ventura County Employees' Retirement Association Management Employees Resolution

Trustee Goulet suggested several changes to the resolution. Ms. Dunning stated she would review the changes and bring the item back before the Board with legal recommendations.

MOTION: Approve.

Moved by Henderson, seconded by Wilson.

Vote: Motion carried

Yes: Henderson, Bianchi, Johnston, Winter, Wilson, Towner

No: -

Abstain: Goulet

Absent: Hintz, Foy, Sedell, McCormick

2. Resolution of the Board of Retirement Ventura County Employees' Retirement Association for Tax Deferred Retirement Contributions IRC 414(h)(2) Employer Pick-up.

MOTION: Approve.

Moved by Goulet, seconded by Henderson.

Vote: Motion carried

Yes: Goulet, Henderson, Bianchi, Johnston, Winter, Wilson, Towner

No: -

Absent: Hintz, Foy, Sedell, McCormick

C. Consideration and Possible Action to Approve: Memorandum of Agreement By and Between the County of Ventura and the Ventura County Employees' Retirement Association for Risk Management Services and Memorandum of Agreement By and Between the County of

Ventura and the Ventura County Employees' Retirement Association for Human Resources Services.

1. Memorandum of Agreement By and Between the County of Ventura and the Ventura County Employees' Retirement Association for Risk Management Services.

MOTION: Approve.

Moved by Henderson, seconded by Wilson.

Vote: Motion carried

Yes: Goulet, Henderson, Bianchi, Johnston, Winter, Wilson, Towner

No: -

Absent: Hintz, Foy, Sedell, McCormick

2. Memorandum of Agreement By and Between the County of Ventura and the Ventura County Employees' Retirement Association for Human Resources Services

Tracy Sewell, Employee Benefits Manager for County of Ventura, Human Resources, was present to discuss this item with the Retirement Board and staff.

After discussion by the Board and Outside Counsel Ms. Dunning, Trustee Goulet requested a change to page 4 of the agreement under "4. Compensation and/or Reimbursement for Services". Trustee Goulet suggested changing the last sentence of the second paragraph to, "If VCERA disagrees with the amount charged, VCERA will pay the full amount to which VCERA agrees and will notify the County of the dispute."

MOTION: Approve with the change listed above.

Moved by Goulet, seconded by Henderson.

Vote: Motion carried

Yes: Goulet, Henderson, Bianchi, Johnston, Winter, Wilson, Towner

No: -

Absent: Hintz, Foy, Sedell, McCormick

- D. Update on Request for Publicly-Available Pay Schedule Requirement Market-Based Premium Payments for Pensionability

Ms. Webb informed the Board that on June 30, 2016, County of Ventura posted additional information related to MBPP items which consisted of an alphabetical list of employees eligible for MBPP and their dates of hire. Staff and Outside Counsel reviewed the information and determined that the posting did not meet the criteria for a publicly-available pay schedule that was requested by the Board.

Ms. Webb stated that an alternate objective criteria must be provided, if the previously presented criteria of date of hire is not the objective criteria in the determination of the MBPP payment. Ms. Webb indicated that she will continue to update the Board concerning the County of Ventura's compliance efforts.

1. Staff Letter
 2. Letter from Shawn Atin, Director of Human Resources for the County of Ventura, dated June 30, 2016
 3. List of Employees Eligible to Receive Market Based Premium Pay (MBPP)
 4. Response Memorandum on June 30th MBPP Posting from Linda Webb, Retirement Administrator, to Shawn Atin, Human Resources Director
 - a. Summary of September 23, 2015 meeting of representatives of VCERA, Nossaman, LLC (VCERA Outside Counsel) and the County of Ventura
 - b. October 2, 2015 Letter from Kerianne R. Steele, attorney for SEIU, Local 721, with accompanying Declaration from Angela Portillo, SEIU worksite organizer
- E. Update on Resolution of Transmittal Processing Issues with County of Ventura Auditor-Controller

Ms. Webb stated that the request to the Auditor-Controller for read-only and query access was initially denied, and the issue will be considered by the VCHRP Steering Committee at their meeting of July 18, 2016.

1. Staff Letter
2. Auditor-Controller Memorandum, dated June 22, 2016

3. Response Memorandum from Linda Webb, Retirement Administrator to Jeff Burgh, Auditor-Controller for the County of Ventura
- F. Reconsideration of Invoicing Method for Advisory Board Travel Expenses
1. Staff Letter

MOTION: Approve reconsideration of the Board's June 6, 2016 decision to request to be invoiced by Pantheon for advisory board travel expenses.

Moved by Goulet, seconded by Johnston.

Vote: Motion carried

Yes: Goulet, Henderson, Bianchi, Johnston, Winter, Wilson, Towner

No: -

Absent: Hintz, Foy, Sedell, McCormick

After further discussion by the Board and staff, the following motion was made:

MOTION: Authorize the Retirement Administrator, upon review of Board Counsel, to accept an amended Limited Partnership Advisory Committee (LPAC) invitation letter from Pantheon that clarifies and confirms that LPAC expenses are considered a Partnership expense, paid from capital contributions of the Limited Partners, and that travel expenses incurred by LPAC members shall be reimbursed by the Partnership.

Moved by Henderson, seconded by Bianchi.

Vote: Motion carried

Yes: Goulet, Henderson, Bianchi, Johnston, Winter, Wilson, Towner

No: -

Absent: Hintz, Foy, Sedell, McCormick

- G. Cancellation of Professional Services Contract with Nicholas Christoffersen

1. Staff Letter

MOTION: Draft a letter from the Board of Retirement to Vitech requesting that Vitech reconsider its decision to enforce the 2005

agreement prohibiting Mr. Christoffersen from accepting employment by Vitech's customers without Vitech's consent; and urge Vitech to consent to VCERA contracting with Mr. Christoffersen for IT services as was proposed and approved by the Board.

Moved by Goulet, seconded by Winter.

Vote: Motion carried

Yes: Goulet, Henderson, Bianchi, Johnston, Winter, Wilson, Towner

No: -

Absent: Hintz, Foy, Sedell, McCormick

VIII. NEW BUSINESS

- A. Recommendation to Approve Chief Financial Officer's Attendance at P2F2 Conference, October 23 – 26, 2016, North Charleston, South Carolina

MOTION: Approve.

Moved by Wilson, seconded by Winter.

Vote: Motion carried

Yes: Goulet, Henderson, Bianchi, Johnston, Winter, Wilson, Towner

No: -

Absent: Hintz, Foy, Sedell, McCormick

- B. Quarterly Administrator's Report for April – June, 2016

RECOMMENDED ACTION: Receive and file.

Materials to be provided at the meeting.

This item was postponed to the September 12, 2016 Disability Meeting.

- C. Report on NCPERS 2016 Annual Conference, submitted by Trustee Johnston

MOTION: Receive and file.

Moved by Goulet, seconded by Winter.

Vote: Motion carried

Yes: Goulet, Henderson, Bianchi, Johnston, Winter, Wilson, Towner

No: -
Absent: Hintz, Foy, Sedell, McCormick

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

Item "IX.A. Closed Session" was removed from the agenda.

X. INFORMATIONAL

A. 2017 SACRS Legislative Platform Worksheet

B. 2016 Cybersecurity Symposium, Nossaman LLP and UC Irvine School of Law, October 19, 2016, Los Angeles, CA

XI. PUBLIC COMMENT

None.

XII. STAFF COMMENT

Ms. Webb requested that the trustees inform her if they are interested in attending Nossaman's Public Pensions and Investments Fiduciaries' Forum scheduled for October 27 – 28, 2016, and stated that the Retirement Board's attendance is limited to five trustees.

Ms. Webb informed the Board that VCERA's tax counsel, Hansen Bridgett, advised staff to pursue a refund of the 15% state tax penalty for a recent late payment, which was caused by procedural changes in tax payment processing.

XIII. BOARD MEMBER COMMENT

Trustee Hoag stated that he and Trustee McCormick completed their review of the policies and charters that were listed on the May 2, 2016 meeting agenda, and changes will be submitted to the Board for approval at an upcoming meeting.

Trustee Goulet requested that the next Board meeting agenda include the consideration and approval of the 2017 SACRS Legislative Platform Worksheet.

XIV. ADJOURNMENT

The meeting was adjourned at 11:50 a.m.

Respectfully submitted,



LINDA WEBB, Retirement Administrator

Approved,

TRACY TOWNER, Chairman

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

SPECIAL MEETING

July 21, 2016

MINUTES

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

DIRECTORS Deanna McCormick, General Employee Member
ABSENT: Joseph Henderson, Public Member
Robert Bianchi, Alternate 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
Stephanie Caiazza, Program Assistant

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

TIME: 10:00 a.m.

ITEM:

I. **CALL TO ORDER**

Chair Towner called the Special Meeting of July 21, 2016, to order at 10:00 a.m.

II. APPROVAL OF AGENDA

MOTION: Approve.

Moved by Sedell, seconded by Goulet.

Vote: Motion carried

Yes: Goulet, Hintz, Sedell, Johnston, Winter, Wilson

No: -

Absent: McCormick, Henderson, Bianchi, Foy

III. OLD BUSINESS

- A. Consideration and Possible Action to Adopt Revision: Memorandum of Agreement By and Between the County of Ventura and the Ventura County Employees' Retirement Association for Human Resources Services

Shawn Atin, County of Ventura Human Resources Director, was present to discuss this item.

Trustee Foy arrived during this discussion at 10:21 a.m.

At the July 18, 2016 Business Meeting, the Board approved a change to page 4 of the draft agreement under "4. Compensation and/or Reimbursement for Services", changing the last sentence of the second paragraph to, "If VCERA disagrees with the amount charged, VCERA will pay the full amount to which VCERA agrees and will notify the County of the dispute."

Outside Counsel, Ashley Dunning of Nossaman, LLC., informed the Board that the County of Ventura did not agree to the Board's proposed change to page 4 of the draft agreement. The previous version of the contract was provided to the Board and included on master pages 3 – 9 of the agenda materials. Counsel recommended that the Board approve this version of the contract, which did not contain the changes proposed on July 18, 2016, to page 4 of the agreement.

After discussion, the following motion was made:

MOTION: Approve the Memorandum of Agreement By and Between the County of Ventura and the Ventura County Employees' Retirement Association for Human Resources Services.

Moved by Hintz, seconded by Sedell.

Vote: Motion carried

Yes: Foy, Hintz, Sedell, Johnston, Winter, Wilson

No: Goulet

Absent: McCormick, Henderson, Bianchi

Trustee Goulet stated that he voted against the motion because the memorandum of agreement did not include a dispute resolution process.

- B. Request for Reimbursement by the County of Ventura for Expenses Incurred for Legal Services in the Preparation of Agreements Related to Implementation of AB 1291

RECOMMENDATION: APPROVE

1. Invoices for Legal Services to the County of Ventura from Steptoe and Johnson, LLP
2. Invoice from County Counsel, dated April 30, 2016

MOTION: Approve.

Moved by Sedell, seconded by Wilson.

Vote: Motion carried

Yes: Goulet, Foy, Hintz, Sedell, Johnston, Winter, Wilson

No: -

Absent: McCormick, Henderson, Bianchi

- C. Request to SACRS to advocate for legislation enabling transfer of leave balances for employees appointed by a board of retirement as system employees from the county; and designate a trustee or the Retirement Administrator to Complete and Submit the 2017 SACRS Legislative Platform Worksheet

1. 2017 SACRS Legislative Platform Worksheet

MOTION: Request that SACRS advocate for legislation enabling transfer of leave balances for employees appointed by a board of retirement as system employees from the county; and designate Trustee Goulet to complete and submit the 2017 SACRS Legislative Platform Worksheet.

Moved by Goulet, seconded by Johnston.

Vote: Motion carried

Yes: Goulet, Foy, Hintz, Sedell, Johnston, Winter, Wilson

No: -

Absent: McCormick, Henderson, Bianchi

IV. PUBLIC COMMENT

None.

V. STAFF COMMENT

None.

VI. BOARD MEMBER COMMENT

Trustee Foy asked for clarification of the previous meeting's discussion removal of the 50/50 cost share provision from the approved draft Management Resolution, as he was not present at that meeting. He said he'd heard that Ms. Dunning had indicated the wording in the VCERA resolution was written to address legal issue as opposed to a policy one. Chair Towner responded that Ms. Dunning had indicated it was both.

VII. ADJOURNMENT

The meeting was adjourned at 10:30 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>

September 12, 2016

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

SUBJECT: REVIEW OF BOARD POLICIES & CHARTERS

Dear Board Members:

As part of the Board Policy Development Process, each Board policy is to be formally reviewed, with varying frequency depending on the policy. Of the policies with a review frequency of three years, seven were last reviewed in May of 2013. At the May 2, 2016 disability meeting, Trustee McCormick and I offered to review these policies.

Having completed our review, we suggest several minor edits to 4 of the 7 policies. (The "process history" sections of all 7 will be updated to reflect this 2016 review). We do not recommend changes to the Vice Chair Charter, the Service Provider Selection Policy or the Board Policy Development Process.

The following is a summary of the proposed changes to these 4 policies; the majority of these edits are to reflect changes as a result of pending appointments under AB 1291, or other general organizational changes. Redlined versions are also provided for your review.

Board of Retirement Charter: Insertion of references to Board Counsel and Chief Investment Officer (CIO) and related cleanup (pages 4 and 5).

Retirement Administrator Charter: Updated management resolution reference (page 1) and removal of "Investments" section, reflecting responsibility shift to CIO (page 2).

Chair Charter: Insertion of reference to Board Counsel and CIO (page 1, Item II.3.e).

Monitoring and Reporting Policy: Appendix I updated to refer to Board Counsel and CIO for evaluations and reports.

RECOMMENDATION: APPROVE PROPOSED CHANGES TO BOARD POLICIES AND CHARTERS.

Trustee McCormick and I will be happy to answer any questions regarding the proposed changes at the September 12, 2016 disability meeting.

Sincerely,

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

Linda Webb for
Will Hoag, Trustee

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT CHARTER

I. Introduction

- 1) The Board is committed to carrying out its policy and oversight role in accordance with the highest standards of fiduciary practice. In doing so, it recognizes the need to clearly delineate the responsibilities of the various decision-making bodies involved in the governance and management of VCERA. Accordingly, the Board has established this charter, which sets out its own duties and responsibilities in governing VCERA.

II. Duties and Responsibilities

Governance

- 2) The Board will:
 - a) Approve, and amend as necessary, the mission statement of VCERA;
 - b) Enact regulations or bylaws, consistent with the County Employees Retirement Law of 1937, Government Code, Title 3, Division 4, Part 3, Chapter 3 and 3.9, Sections 31450 *et. seq.* as amended, the California Public Employees' Pension Reform Act of 2012, and other applicable laws;
 - c) Enact, and amend as necessary, policies to ensure appropriate governance practices;
 - d) Enact charters describing the roles and responsibilities of the Board, the Retirement Administrator, the Chair, Vice Chair, and any board committees that may be established, and amend said charters as appropriate;
 - e) Elect a Chair and a Vice Chair;
 - f) Initiate, support or oppose legislative proposals affecting VCERA; and
 - g) Authorize and or approve all actions concerning litigation that may affect the investments, benefits or funding of VCERA.

Investments and Funding

- 3) The Board has exclusive control of the investments of VCERA. The assets of VCERA are trust funds and, as such, the Board will manage the assets:
 - a) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering VCERA;

- b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims; and
 - c) By diversifying the investments of VCERA so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.
- 4) The Board's duties to its participants and their beneficiaries shall take precedence over any other duty.
 - 5) The Board will conduct a study of the relationship between the assets and liabilities of VCERA not less than every three years.
 - 6) The Board will approve an Investment Policy Statement including investment objectives, and will review and confirm or amend such policy as necessary.
 - 7) The Board will approve broad investment strategies for achieving the investment objectives of VCERA, which will include at a minimum:
 - a) Investment manager structures;
 - b) Investment style and market capitalization strategies; and
 - c) Active and passive investment allocations.

Benefits Administration

- 8) The Board will:
 - a) Adopt board policies deemed necessary to ensure effective administration of member and surviving beneficiary benefits;
 - b) Approve all qualified members who apply for service retirement;
 - c) Determine the merits of applications for disability benefits, making necessary determinations of eligibility and permanency of incapacity;
 - d) Act on member and surviving beneficiary appeals of decisions made by VCERA staff;
 - e) Annually approve cost-of-living adjustments for eligible retirees and surviving beneficiaries; and
 - f) Annually review any non-vested supplemental benefit payments to retirees and surviving beneficiaries.

Operations

- 9) The Board will:
- a) Approve a business plan and any updates thereto in accordance with the Business Planning Policy;
 - b) Approve the annual operating budget and any changes thereto;
 - c) Ensure that all required contributions to VCERA are collected in a timely manner;
 - d) Ensure that all required distributions from VCERA are made in a timely manner;
 - e) Approve leasehold or purchase agreements in connection with VCERA's offices; and
 - f) Approve operational policies to support the efficient delivery of member and surviving beneficiary services.

Financial, Actuarial and Accounting

- 10) The Board will:
- a) Approve the annual actuarial valuation and the actuarial assumptions contained therein, upon the advice of the actuary and other experts as required, and transmit to the Board of Supervisors a recommendation to implement such changes in the contribution rates of the county and districts, and members, as are necessary. At least 25 days prior to taking any action concerning the actuarial valuation, the Board shall provide a copy of the valuation to each employee organization recognized by the County of Ventura, and to any recognized retiree organization.
 - b) Approve the Comprehensive Annual Financial Report;
 - c) Ensure a financial audit is conducted at least annually;
 - d) Ensure an actuarial experience study is conducted every three years; and
 - e) Ensure an actuarial audit is conducted at least every six years, unless the Board has replaced the actuary or is contemplating replacing the actuary shortly before or after the time that an actuarial audit is due.

Human Resources

- 11) The Board will:

- a) Approve a Retirement Administrator, Board Counsel, and Chief Investment Officer Performance Evaluation Policy;
- b) Approve the compensation of the Retirement Administrator, Board Counsel, and Chief Investment Officer;
- c) Approve the staffing levels of VCERA; and
- d) Ensure that appropriate provisions for succession are in place to provide for continuity in VCERA staff.

Communications

12) The Board will:

- a) Ensure effective communications with all significant interest groups including, but not limited to, plan participants, the plan sponsors, recognized retiree organizations, and employee organizations;
- b) Ensure that the Comprehensive Annual Financial Report, or a summary thereof, is available to members and the public; and
- c) Ensure the adequacy of the Annual Member Statement and ensure its timely distribution to all members.

Key Appointments

- 13) The Board will appoint the Retirement Administrator, Board Counsel, and Chief Investment Officer.
- 14) The Board will appoint the following retained service providers, taking into consideration the recommendation of staff or consultants:
 - a) The actuary;
 - b) The actuarial auditor;
 - c) The financial auditor;
 - d) The custodian;
 - e) ~~Board Counsel, and additional~~ Additional legal counsel retained to advise the Board;
 - f) Investment consultants;
 - g) Investment managers;

- h) Human resource consultants;
 - i) Information systems technology providers; and
 - j) Hearing Officers.
- 15) Unless the Board determines otherwise, the Retirement Administrator will be responsible for appointing, and executing contracts with, service providers other than the retained service providers listed above and for informing the Board of such appointments, and will be responsible for seeking Board approval, where the services are publicly or politically sensitive, or the contract exceeds \$100,000.

III. Monitoring and Reporting

- 16) The Board will ensure that appropriate monitoring and reporting practices are established within VCERA.
- 17) The Board will annually:
- a) Review compliance with board policies;
 - b) Review the Retirement Administrator's, Board Counsel's, and Chief Investment Officer's job performance in accordance with the Retirement Administrator-applicable Performance Evaluation Policy;
 - c) Review the performance of the Board itself;
 - d) Review the funded status of VCERA via the actuarial valuation;
 - e) Review VCERA's internal financial and operating controls as presented by the financial auditor;
 - f) Review the investment performance of VCERA and the performance of its investment managers.
- 18) The Board will review the actuarial experience of VCERA not less than every three (3) years.
- 19) The Board will review the results of an actuarial audit of VCERA at least every six years, except as otherwise provided in Section 10 e).
- 20) The Board will review progress toward the implementation of VCERA's business plan on an annual basis.
- 21) The Board will review board policies at a frequency to be set out in each policy.
- 22) The Board will review the operating budget on a monthly basis.

- 23) With the assistance of the Retirement Administrator, the Board will, on a regular basis, review the performance of all retained service providers including the actuary, the financial auditor, the investment consultant and counsel.

IV. Compensation of Members; Expenses

- 23) Eligible Board members shall receive compensation at a rate of not more than one hundred dollars (\$100) a meeting, meeting of a committee, or meeting of an ad hoc committee, authorized by the entire board, for not more than five meetings per month, together with actual and necessary expenses for all members of the Board.

V. Review

- 24) The Board will review this charter at least once every three (3) years to ensure that it remains relevant and appropriate.

VI. History

- 25) The Board last reviewed and approved this charter on ~~May 6, 2013~~September 12, 2016. This charter was originally adopted by the Board on September 15, 2008.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

CHAIR CHARTER

I. Introduction

- 1) At its first regular meeting in December, the Board will elect one of its members as Chair to hold office for a period of one year, commencing January 1 of the following year. Members may be re-elected to the office of Chair without limitation. The Chair will exercise the powers and will perform the duties and functions specified herein. In presiding at meetings of the Board, the Chair shall attempt to refrain from entering into any discussion on the merits of any issue before the Board until it appears all other members of the Board wishing to comment have had the opportunity to state their positions on such issue.
- 2) No member shall be elected to the position of Chair until he or she has served on the Board for a minimum of one year.

II. Duties and Responsibilities

- 3) The Chair will:
 - a) Recommend to the Board the appointment of committees and ad hoc committees of the Board;
 - b) Appoint a chair for each committee and ad hoc committee, or delegate to the committee the responsibility of appointing a chair;
 - c) Preside at meetings of the Board, ensuring that such meetings are conducted in an efficient and effective manner;
 - d) In consultation with the Retirement Administrator, ensure coordination of meetings of the Board, agendas, schedules and presentations;
 - e) Facilitate effective and open communications between the Board and the Retirement Administrator, Board Counsel, and Chief Investment Officer;
 - f) Work to ensure cohesion within the Board;
 - g) Sign subpoenas if the Retirement Administrator is unavailable;
 - h) Execute all investment manager contracts entered into by VCERA, and all other professional service contracts exceeding \$100,000, unless signature authority is delegated by the Board to the Retirement Administrator in an open meeting;
 - i) Review travel and other expenses of the Retirement Administrator on a quarterly basis;

- j) Sign the minutes which shall be part of the permanent records of the Board;
and
 - k) Carry out such other functions and duties as are prescribed by the Board.
- 4) The Chair shall be available to discuss with the Retirement Administrator any public relations matter the Retirement Administrator believes to be potentially sensitive or controversial in order to determine the most appropriate response, and to determine whether the Chair or the Retirement Administrator should act as spokesperson on the matter.

Notwithstanding the above, the Chair will serve as official spokesperson for VCERA on any public relations matter pertaining to the Retirement Administrator and for which it would be inappropriate for the Retirement Administrator to serve as spokesperson, such as matters relating to the ethical conduct of the Retirement Administrator.

III. Review

- 5) The Board will review this charter at least once every three (3) years to ensure that it remains relevant and appropriate.

IV. History

- 6) The Board last reviewed and approved this charter on ~~May 6, 2013~~September 12, 2016. This charter was originally adopted by the Board on June 2, 2003.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

VICE CHAIR CHARTER

I. Introduction

- 1) At its first regular meeting in December, the Board will elect one of its members as Vice Chair to hold office for a period of one year, commencing January 1 of the following year. Members may be re-elected to the office of Vice Chair without limitation. No member shall be elected to the position of Vice Chair until he or she has served on the Board for a minimum of one year.

II. Duties and Responsibilities

- 2) The Vice Chair will assume the duties of the Chair in the event the Chair is unable to fulfill the duties of the position.
- 3) In order to assume the duties of the Chair effectively, the Vice-Chair is responsible for ensuring that he or she is familiar with the duties of the Chair.

IV. Review

- 4) The Board will review this charter at least once every three (3) years to ensure that it remains relevant and appropriate.

V. History

- 5) The Board last reviewed and approved this charter on ~~May 6, 2013~~September 12, 2016. This charter was originally adopted by the Board on June 2, 2003.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

RETIREMENT ADMINISTRATOR CHARTER

I. Introduction

- 1) The Board will appoint a Retirement Administrator who will serve at its pleasure. The Retirement Administrator is the most senior executive of VCERA and is subject to the VCERA Management Employees Resolution ~~Ventura County Management Resolution~~ and is exempt from Ventura County civil service rules. This charter sets out the roles and responsibilities of the Retirement Administrator.

II. Duties and Responsibilities

Leadership and Policy Analysis

- 2) The Retirement Administrator will provide leadership for VCERA staff in implementing the programs necessary to achieve the mission, goals and objectives established by the Board. The Retirement Administrator will manage the day-to-day affairs of VCERA in accordance with policies established by the Board, and may delegate duties to senior management and staff as necessary.
- 3) The Retirement Administrator will provide support to the Board and its committees in establishing all governance, administrative and operational policies of the Board including identifying and analyzing issues requiring Board policy, and providing well-supported policy recommendations for consideration by the Board or its committees. The Retirement Administrator may advise the Board on investment policy matters, but primary responsibility for such recommendations rests with the investment consultant.
- 4) The Retirement Administrator will be responsible for ensuring that all administrative and operational policies of the Board, excluding governance and investment policies, are properly implemented.

Governance

- 5) The Retirement Administrator will:
 - a) Recommend to the Board policies to help ensure appropriate governance practices;
 - b) Assist the Board in implementing its governance policies, charters, and bylaws; and
 - c) Assist the Board in coordinating Board member education and travel arrangements.

- 6) The Retirement Administrator will carry out the following duties for the Board:
- a) Coordinate meetings, agendas, schedules and presentations for both Board and committee meetings in accordance with the Brown Act;
 - b) Maintain minutes of Board meetings and notes for committee meetings;
 - c) Sign the minutes of Board meetings upon approval of the Board;
 - d) Sign subpoenas;
 - e) Under the direction of the Chair or, in the Chair's absence, the Vice-Chair, sign all resolutions and policies adopted by the Board.

Investments

~~7) The Retirement Administrator will:~~

- ~~a) Advise the Board on investment matters;~~
- ~~b) Monitor, from an administrative perspective only, that the investment consultant is fulfilling the terms of its contract with VCERA; and~~
- ~~c) Execute the portfolio rebalancing policy of the Board.~~

Benefits Administration

~~8)7) The Retirement Administrator will:~~

- a) Recommend to the Board, as necessary, policies and staffing to ensure effective administration of member benefits;
- b) Ensure accurate payment of benefits to members, and address problems or errors in accordance with established policies and procedures;
- c) In consultation with medical evaluators and counsel, schedule disability applications to the Board for its consideration;
- d) Maintain accurate records of member accounts; and
- e) Ensure delivery of high standards of service to members including calculations and counseling.

Operations

~~9)8) The Retirement Administrator will:~~

- a) Recommend to the Board, as appropriate, Board policies and staffing designed to help ensure effective operations;

- b) Develop and recommend a Business Plan to the Board, as well as updates to the Plan as necessary;
- c) Recommend the annual operating budget to the Board;
- d) Execute agreements and authorize payments related to the administration of VCERA, consistent with the operating budget;
- e) Account for and ensure appropriate collection, deposit, and distribution of funds as required;
- f) Implement internal operational controls;
- g) Ensure the appropriate design, acquisition, implementation, and maintenance of all technological systems required to administer VCERA;
- h) Maintain the records of VCERA in a permanent and readily accessible format;
- i) Maintain an effective working relationship with plan sponsors and other constituency groups.

Finance, Actuarial and Accounting

~~10)9)~~ The Retirement Administrator will:

- a) Prepare the Comprehensive Annual Financial Report for approval by the Board;
- b) Implement appropriate internal financial controls to safeguard the assets of VCERA;
- c) With the assistance of the Chief Financial Officer, coordinate the annual financial audit;
- d) Coordinate the actuarial valuation, actuarial experience studies, and actuarial audits; and
- e) Per Government Code Section 31597.1, adopted by the Board of Supervisors on May 19, 1981, before December 31 of each year, file in the office of the County Auditor and with the Board of Supervisors a sworn statement as part of the Comprehensive Annual Financial Report, which will exhibit the financial condition of VCERA at the close of the preceding fiscal year and its financial transactions for the year ending on that day.

Human Resources

~~11)10)~~ The Retirement Administrator will:

- a) Hire, manage and terminate senior management and staff; and

- b) Develop training and job development programs for VCERA staff as approved in the annual budget.

Legislation and Litigation

~~12~~11) The Retirement Administrator will:

- a) Recommend legislative proposals to be considered by the Board;
- b) Coordinate with legal counsel all legal proceedings involving VCERA;
- c) In consultation with legal counsel, provide recommendations to the Board concerning settlement or other legal action involving VCERA; and
- d) Develop and implement plans to comply with court rulings or new legislation.

Communications

~~13~~12) The Retirement Administrator will:

- a) Ensure effective and timely communications with stakeholders on matters relating to the administration of VCERA. Such communications may include press releases, newsletters, presentations, and internet communications; and
- b) Act as official spokesperson for VCERA. The Retirement Administrator will, however, discuss with the Chair any public relations matters that are potentially sensitive or controversial to determine the most appropriate response and to determine whether the Retirement Administrator or the Chair should act as spokesperson on the matter.

Appointment of Service Providers

~~14~~13) The Retirement Administrator will cause the necessary due diligence to be performed for the following retained service providers:

- a) The actuary;
- b) The actuarial auditor;
- c) The independent financial auditor;
- d) The master trust/plan custodian;
- e) Legal counsel;
- f) Human resource consultants;
- g) Information systems technology providers;

- h) Hearing Officers; and
- i) Other service providers.

The Retirement Administrator will provide the Board with appropriate recommendations, in accordance with the Service Provider Selection Policy.

~~15)~~14) The Retirement Administrator may execute contracts with service providers, other than investment managers, where the amount does not exceed \$100,000, consistent with the operating budget and other policies of the Board, provided that the Board has not specifically retained the authority to hire such service providers, and the Retirement Administrator may execute a contract entered into by VCERA with an investment manager, or greater than \$100,000, when signature authority is delegated by the Board in an open meeting.

III. Monitoring and Reporting

~~16)~~15) The Retirement Administrator will provide the Board with relevant, appropriate and timely information to enable it to properly carry out its oversight responsibilities with respect to the benefit administration function of VCERA. Furthermore, the Retirement Administrator will apprise the Board in a timely manner of all significant issues, problems, or developments pertaining to VCERA, and provide recommended courses of action as appropriate.

~~17)~~16) The Retirement Administrator will:

- a) Review all administrative and operational policies of VCERA on a regular basis to ensure they are being followed and continue to meet the needs of VCERA;
- b) Monitor the funded status of VCERA and all issues that may reasonably have a significant impact on such status;
- c) Review the findings of the annual financial audit, and of any internal audits that may be performed;
- e) Assist the Board in the review of the activities and performance of the actuary, independent financial auditor, investment consultant, legal counsel, and master trust/plan custodian on a regular basis;
- f) Monitor and evaluate the activities and performance of senior management and staff;
- g) With the assistance of the Chief Financial Officer, monitor the accuracy and timeliness of all payments due to and payable by VCERA;
- h) Monitor VCERA's compliance with applicable laws and regulations concerning the benefit administration function; and

- i) In conjunction with Board counsel and outside counsel, monitor the status of all legal proceedings involving VCERA and report to the Board as appropriate.

IV. Review

~~18~~17) The Board will review this charter at least once every three (3) years to ensure that it remains relevant and appropriate.

V. History

~~19~~18) The Board last reviewed and approved this charter on ~~May 6, 2013~~September 12, 2016. This charter was originally adopted by the Board on June 2, 2003.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD POLICY DEVELOPMENT PROCESS

I. Background and Objectives

- 1) The Board is responsible for the overall governance of VCERA and for assuring that VCERA's mission is accomplished. In carrying out its responsibilities, the Board requires clear, sound policies and a structured process for establishing them.
- 2) The objectives of this policy are to:
 - a) Set out the method by which the Board will develop and approve the formal policies of VCERA;
 - b) Ensure that the method by which Board policies are established is rigorous and disciplined; and
 - c) Provide a template and structure for Board policies; and
 - d) Provide for regular review and monitoring of Board policies to ensure they continue to support the fiduciary responsibilities of the Board and the needs of VCERA.

II. Roles

- 3) The general role of the Retirement Administrator in the policy development process is to:
 - a) assist the Board in identifying Board policies that may be needed;
 - b) provide the Board and designated committees with sound, thorough analysis of policy issues, with the assistance of consultants as required; and
 - c) develop recommended policies for the consideration of the Board and its committees.
- 4) The general role of the Board and its committees in the policy development process is to satisfy itself that the policy recommendations and the underlying analysis thereof, emanating from the Retirement Administrator or the consultants, reflect the requisite level of skill, diligence, and care, and effectively support the mission and goals of VCERA.

III. Guidelines

Policy Development

- 5) The process of developing a Board policy will be initiated by an action of the Board- or by the Retirement Administrator. The need for a Board policy may be proposed by a trustee, a Board committee, the Retirement Administrator or a consultant.
- 6) In determining whether a particular issue warrants a Board policy, the Board will consider whether the issue satisfies the following criteria:
 - a) The issue may have a significant impact on or risk to VCERA;
 - b) The issue is expected to recur or continue indefinitely; and
 - c) The issue is not an operational issue that falls within the discretion of the Retirement Administrator, in which case the Retirement Administrator will be directed to establish and adopt a staff policy.
- 7) The Retirement Administrator will be responsible, with support of consultants as required, for performing all necessary policy research and analysis.
- 8) Board policies shall be documented and shall contain the following elements:
 - a) Purpose and objectives of the policy;
 - b) Guidelines to be followed;
 - c) Provisions for policy review, including frequency of review; and
 - d) Policy history.
- 9) Board policies may also contain the following optional elements:
 - a) Background or preamble;
 - b) Definitions;
 - c) Important underlying principles;
 - d) Examples for clarification; and
 - e) Other elements that may help clarify the Board's position.

- 10) In approving a policy, the Board will satisfy itself that the proposed policy and the underlying analysis thereof:
 - a) Reflect the requisite level of skill, diligence and care;
 - b) Satisfy the purpose of the policy, as defined at the outset by the Board; and
 - c) Effectively support the mission and goals of VCERA.
- 11) All of VCERA's Board policies will be organized for easy reference, maintained in an up-to-date form in a single volume or series of volumes within VCERA's office and on VCERA's website, and will be accessible to trustees, staff, and the public.

Policy Compliance

- 12) As a general rule, the Board will comply with all Board policies. Should the Board take an action contrary to one of its policies, it will state in the Board minutes the reasons for doing so. At such time, the Board will also request that a review of the policy be undertaken.
- 13) All policies will be formally reviewed at a time specified within each policy. The Board may initiate a review of a policy in advance of the time specified in the policy if either the trustee making the motion to review the policy or the seconder of such motion previously voted in support of the policy.

IV. Process Review

- 14) The Board will review the Board Policy Development Process at least once every three (3) years to ensure that it remains relevant and appropriate.

V. Process History

- 15) The Board last reviewed and approved this policy on ~~May 6, 2013~~September 12, 2016. The Board previously reviewed and approved this policy on March 19, 2007.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MONITORING AND REPORTING POLICY

I. Background

- 1) In keeping with the duty of the Board to oversee the activities and performance of VCERA, the Board has established this Monitoring and Reporting Policy, which sets out the Board's expectations concerning the reports it is to receive on a regular basis.

II. Guidelines

- 2) Appendix 1 of this Policy will address the routine reporting needs of the Board across a range of reporting areas including:
 - a) Governance;
 - b) Investments;
 - c) Funding; and
 - d) Administration.
- 3) The Board will be provided the routine reports outlined in Appendix 1 with a frequency also set out in Appendix 1. The Board will be provided other Personnel Committee reports as required.
- 4) Board members are expected to review and be familiar with all reports provided to the Board, and to question management about any issues of concern contained in any such report.
- 5) Management will work continuously to improve the routine reports provided to the Board to ensure they meet the needs of the Board, provide adequate information, and are user friendly.
- 6) Routine reports will not only address performance measurement, but also compliance with VCERA policies.

III. Policy Review

- 7) The Board will review this policy, including Appendix 1, at least once every three (3) years to ensure that it remains relevant and appropriate.

IV. Policy History

- 8) The Board last reviewed and approved this policy on ~~May 6, 2013~~September 12, 2016. The Board previously reviewed and approved this policy on March 19, 2007.

APPENDIX I

REPORTS RECEIVED BY THE BOARD OF RETIREMENT

Governance Reports

Report Name	Frequency	Prepared By	Presented By	Description and Purpose of Report
1. Retirement Administrator, Board Counsel, and Chief Investment Officer Evaluation	Annually	Personnel Committee	Chair of Personnel Committee	Summarizes the performance assessment of the Retirement Administrator, Board Counsel, and Chief Investment Officer
2. Governance Report	Annually	Staff	Retirement Administrator	A summary confirmation of compliance with governance policies of the Board.

Investment Reports

Generic Report Name	Frequency	Prepared By	Presented By	Description and Purpose of Report
3. Quarterly Investment Performance Report	Quarterly	Investment Consultant	Investment Consultant (IC) Chief Investment Officer (CIO)	Includes: <ul style="list-style-type: none"> • report on the investment performance of the total fund, each asset class and each investment manager and recommendations on portfolio rebalancing; • report on the economic and investment environment, recommended asset allocation strategy (annually); • review of VCERA's commingled funds and real estate investments; and • confirmation that the investment managers are investing plan assets in accordance with their mandate, investment agreement, regulatory requirements and VCERA policy.
4. Investment Summary	Monthly	Investment Consultant	Investment Consultant IC CIO	Preliminary performance report for the prior month on individual investment managers and the total portfolio.
5. Asset and Liability Study	Every 3 years or as needed	Investment Consultant	Investment Consultant IC CIO	A study of the relationship between VCERA's assets and liabilities to determine the appropriateness of VCERA's asset allocation policy.
6. Proxy Voting Report	Annually	Staff/ Investment Consultant	Investment Consultant IC CIO	Confirms compliance with the Board's proxy voting policy, and summarizes how VCERA exercised its voting rights in public companies.

Funding Reports

Generic Report Name	Frequency	Prepared By	Presented By	Description and Purpose of Report
7.6. Actuarial Valuation	Annually	Actuary	Actuary	Establishes the financial position of the pension plan on a going concern and solvency basis, and determines the rates of contribution.
8.7. Experience Analysis	Every 3 years	Actuary	Actuary	Reviews the appropriate long-term economic assumptions such as investment return and wage and price inflation, and demographic assumptions such as disability rates and mortality rates.
9.8. Actuarial Audit*	At least every 6 years*	Auditing Actuary	Auditing Actuary	An independent review of the validity of the analyses and methodologies used in preparing VCERA's actuarial valuation.

Administrative Reports

Report Name	Frequency	Prepared By	Presented By	Description and Purpose of Report
10. 9. Report on Business Plan	Annually	Staff	Retirement Administrator	Outlines the Business Plan and progress towards its implementation.
11.10. Operating Budget Summary	Monthly	Staff	Retirement Administrator	Summarizes the material variances from the operational budget.
12.11. Financial Report	Monthly	Staff	Retirement Administrator	Monthly report on the financial position of VCERA, covering unaudited financial statements and progress on the preparation of the financial statements.
13.12. Budget Status	Monthly	Staff	Retirement Administrator	Monthly status report on the adopted budget, adjusted budget in relation to expenditures to date.

* Unless the Board has replaced the actuary or is contemplating replacing the actuary shortly before or after the time that an actuarial audit is due to be conducted.

Administrative Reports (cont'd)

Report Name	Frequency	Prepared By	Presented By	Description and Purpose of Report
4 <u>4.13.</u> Comprehensive Annual Financial Report (“CAFR”) including: <ul style="list-style-type: none"> • Audited Financial Statements • Management Discussion and Analysis • Auditor’s Opinion 	Annually	Staff	Retirement Administrator / Independent Auditor	The Annual Report reviews the operations and activities of VCERA during the last fiscal year. It also includes: <ul style="list-style-type: none"> • The audited financial statements, which indicate the financial position of VCERA. • The Management Discussion and Analysis, which is management’s statement of the key financial activities and transactions of VCERA’s fiscal year • The Auditor’s opinion, confirming that the financial statements present fairly, in all materials respects, the financial status of VCERA, in accordance with generally accepted accounting principles.
5 <u>5.14.</u> Report of Checks Disbursed	Monthly	Staff	Retirement Administrator	Monthly report on the cash disbursed by VCERA during the prior month.
6 <u>6.15.</u> Report on Retirees	Monthly	Staff	Retirement Administrator	List of all new retirees, deferred members, and beneficiaries for prior month. Includes names, date of membership, length of service, other service, department worked for, and effective date.
7 <u>7.16.</u> Disability Application Status Report	Monthly	Staff	Retirement Administrator	Summary report of all pending disability applications.

Standard Staff Reports

Report Name	Frequency	Prepared By	Presented By	Description and Purpose of Report
8 <u>8.17.</u> Administrator’s Report	As required / Quarterly	Staff	Administrator	Updates the Board, as required on significant matters not reported in routine reports, or in other staff or committee reports. At least quarterly, updates the Board on the Administrator’s travel, training, and other expenses, key meetings, press/media communications, any items the Administrator has been asked to report back on regularly, and other items that may be of interest to the Board.
9 <u>9.18.</u> Board Counsel’s Report	As required	Board Counsel	Board Counsel	Updates the Board on significant legislative and legal developments, and on any ongoing litigation affecting VCERA.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

SERVICE PROVIDER SELECTION POLICY

I. Background and Objectives

- 1) The Service Provider Selection Policy is intended to establish guidelines by which service providers will be selected and retained by VCERA.
- 2) The objective of this policy is to ensure that the process of selecting service providers is diligent and efficient.

II. Roles and Responsibilities

- 3) The role of the Board with respect to the selection of service providers is to:
 - a) Establish appropriate policies to help ensure prudent and sound selection decisions are made;
 - b) To monitor compliance with such policies; and
 - c) To approve, in consultation with the Retirement Administrator and, where appropriate, Board Counsel, the Chief Investment Officer and/or consultants, the appointment of retained service providers, which include:
 - i. The actuary;
 - ii. The actuarial auditor;
 - iii. The independent financial auditor;
 - iv. The master trust/plan custodian;
 - v. ~~Board Counsel, and a~~Additional legal counsel retained to advise the Board;
 - vi. Investment consultants;
 - vii. Investment managers;
 - viii. Human resource consultants;
 - ix. Information systems technology providers; and
 - x. Hearing Officers.
- 4) Unless the Board determines otherwise, the Retirement Administrator will be responsible for appointing, and executing contracts with, service providers other than the retained service providers listed above and for informing the Board of such appointments, and will be responsible for seeking Board approval, where the services are publicly or politically sensitive, or the contract exceeds \$100,000.

- 5) The Chair will execute contracts with the retained service providers listed on the previous page, and all other professional service contracts exceeding \$100,000, unless signature authority is delegated by the Board to the Retirement Administrator in an open meeting.
- 6) The Retirement Administrator will coordinate all search and due diligence activities, in conjunction with staff, investment consultants and other external experts, as required. Members of the Board will participate in due diligence activities in order to oversee the due diligence activities of staff and consultants, and the performance of retained service providers.

III. The Search Process

General Guidelines

- 7) The appointment of all service providers will be made in the best interests of the members and beneficiaries of VCERA, in keeping with the fiduciary responsibilities of the Board and staff.

Retained Service Providers

- 8) Prior to conducting a search for a retained service provider, the Retirement Administrator or consultant, as appropriate, will present the following information to the Board:
 - a) The type of service provider being sought and the supporting rationale;
 - b) The objectives and selection criteria to be met and their relative importance;
 - c) A projected timeline for the search process; and
 - d) A description of the search process deemed most appropriate and cost effective in the circumstances, and including:
 - i. Whether a search consultant is to be used in the process;
 - ii. The due diligence efforts to be undertaken (for example, site visits and reference checks);
 - iii. Evaluation criteria to be used and their relative weights;
 - iv. Whether a Request for Proposal (RFP), or a variation thereof, is to be used with supporting rationale;
 - v. Whether a sole source approach is to be used, with supporting rationale; and
 - vi. Other pertinent information that the Retirement Administrator believes may assist the Board in better understanding the search process.

- 9) The Board, or a committee of the Board, may interview the candidates prior to the Board making a final selection decision. The exact number of candidates to be interviewed will be determined by the Board. The Board may delegate this responsibility to conduct interviews to the Retirement Administrator and request that the Retirement Administrator recommend a candidate for ratification by the Board.
- 10) The Retirement Administrator or consultant will provide the Board or a designated committee of the Board with periodic reports on the status of all search processes.
- 11) Upon completion of the analysis and due diligence involved in the search process, the Retirement Administrator or consultant will provide the Board or a designated committee of the Board with, at a minimum:
 - a) A description of the due diligence activities undertaken;
 - b) A list of finalist candidates to be interviewed and an analysis of each candidate;
 - c) Confirmation of compliance with the selection criteria and search process presented to the Board prior to the commencement of the search, or an explanation of any deviations that occurred; and
 - d) A description of the expected performance monitoring and reporting efforts to be carried out with respect to the service provider in question throughout the term of the engagement.
- 12) The Board may institute a “quiet period” when
 - a) the Board initiates a search process that may result in the appointment of a new service provider or in the expansion of its relationship with an existing service provider;
 - b) a current service provider is placed on an official “watch list” signifying that the service provider’s performance has fallen below expectations and warrants closer scrutiny; or
 - c) the Board deems it is in the best interest of VCERA to require that, for a limited period of time, communications between trustees and specified service providers be restricted to Board and committee meetings only.
- 13) The initiation of a quiet period will be recorded in the minutes of the Board meeting at which it occurred.
- 14) During quiet periods, in conjunction with the Service Provider Policy, trustees shall neither communicate with the specified service providers, except during Board or committee meetings, nor accept meals, travel, hotel, or other gifts from the specified service providers.
- 15) A quiet period will cease:

- a) when a service provider has been appointed by the Board or the search process is otherwise ended; or
- b) when a service provider on an official “watch list,” which has had a quiet period implemented, is subsequently removed from the watch list; or
- c) when the quiet period is ended by action of the Board; or
- d) when otherwise determined by action of the Board.

IV. Contract Review

- 16) All contracts entered into by VCERA, and the Retirement Administrator, will be subject to review by Board Counsel prior to presentation to the Board.

V. Monitoring and Reporting

- 17) All service providers will be subject to regular and appropriate performance monitoring by staff, and periodic reviews, as appropriate, throughout the term of their contracts. Criteria for review may include performance, staff satisfaction, competitiveness of fees, quality of reporting, and accuracy of assumptions and forecasts.
- 18) The Retirement Administrator will report as needed to the Board on all monitoring efforts involving retained service providers, identifying in a timely manner any material issues or actions taken.
- 19) All monitoring and reporting provisions contained in this policy serve as minimum requirements. If more stringent requirements are established within other policies of VCERA, such requirements will prevail.
- 20) The Retirement Administrator or investment consultant(s), as appropriate, will report in a timely manner to the Board any failures by retained service providers to comply with the terms of their contract.

VI. Policy Review

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

VII. Policy History

- 22) This policy was last reviewed and approved on [May 6, 2013](#) [September 12, 2016](#). This policy was originally adopted by the Board on June 2, 2003.

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>

September 12, 2016

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

SUBJECT: 2016 CONFLICT OF INTEREST CODE

Dear Board Members:

Government Code Section 87300 et. seq. requires that each agency review and submit a Conflict of Interest Code to the Code Reviewing Body by October 1 each even-numbered year.

The only proposed change to the last approved version is to reflect the legislative change that added an alternate appointed member to the VCERA Board, bringing the total number of members to 12. Provided is the proposed new version with the recommended changes highlighted.

Staff will be happy to answer any questions you may have at the September 12, 2016 Disability Meeting.

RECOMMENDED ACTION: APPROVE PROPOSED CHANGES TO VCERA'S 2016 CONFLICT OF INTEREST CODE.

Sincerely,



Linda Webb
Retirement Administrator

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

CONFLICT OF INTEREST CODE

The Political Reform Act, Government Code Section 81000 et seq., requires local government agencies to adopt and promulgate Conflict of Interest Codes. The Fair Political Practices Commission has adopted a regulation (Cal. Code of Regs., tit. 2, sec. 18730) which contains the terms of a standard Conflict of Interest Code ("standard code"), which may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act after public notice and hearings.

The terms of California Code of Regulations, title 2, section 18730, and any amendments to it duly adopted by the Fair Political Practices Commission, are hereby incorporated by reference and, along with the attached Appendix A, Appendix B, and Appendix C in which trustees, employees and consultants are designated and disclosure categories are set forth, constitute the Ventura County Employees' Retirement Association (VCERA) Conflict of Interest Code.

Pursuant to section 4 of the standard code, designated employees who do not file statements pursuant to Government Code section 87200 shall file Statements of Economic Interest with the VCERA Retirement Administrator. These statements shall be retained by VCERA.

The Board shall review this code at least every two (2) years to ensure that it remains relevant and appropriate.

Approved Date

Tracy Towner, Chair
Ventura County Employees'
Retirement Association

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

CONFLICT OF INTEREST CODE

APPENDIX A

DESIGNATED POSITIONS

<u># OF POSITIONS</u>	<u>POSITION TITLE</u>	<u>DISCLOSURE CATEGORY</u>
11 12	Director (Board Member)	1*
1	Retirement Administrator	1*
1	Chief Financial Officer	1*
1	Investment Consultant	1*
1	Chief Investment Officer (CIO)	1*
1	Board Counsel	1*

* It has been determined that Board Members, the Retirement Administrator, the Chief Financial Officer and the Investment Consultant are positions that “manage public investments” and are required to file statements of economic interest pursuant to Government Code section 87200 et seq. No additional filing requirements for these positions are established by this code. See APPENDIX C.

Approved 3/2/2015-9/12/2016

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

CONFLICT OF INTEREST CODE

APPENDIX B

DISCLOSURE CATEGORIES

Subject to the definitions set forth in the Political Reform Act and applicable regulations:

Category 1

Full Disclosure:

All investments, business positions and sources of income, including gifts, loans and travel payments.

Approved ~~3/2/2015~~ 9/12/2016

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

CONFLICT OF INTEREST CODE

APPENDIX C

**AGENCY POSITIONS THAT MANAGE PUBLIC INVESTMENTS
FOR PURPOSES OF SECTION 87200 OF THE GOVERNMENT CODE.**

Director (Board Members)	11 12
Retirement Administrator	1
Chief Financial Officer (CFO)	1
Investment Consultant	1
Chief Investment Officer (CIO)	1
Board Counsel	1

Approved 3/2/2015-9/12/2016

MEMORANDUM

TO: Board of Retirement
Ventura County Employees' Retirement
Association (VCERA)

FROM: Tracy Towner, VCERA Board Chair
Ashley K. Dunning, Esq., Nossaman LLP

DATE: September 9, 2016

RE: Recommendations re Appointment of Executives Under AB 1291

Background

On July 18, 2016, the VCERA Board of Retirement ("Board") adopted a Management Employees Resolution ("VCERA Resolution") that describes the employment and compensation plan for those whom the Board intends to appoint to management positions at VCERA ("VCERA employees") under the authority of California Government Code section 31522.10 ("AB 1291"). The Resolution's Exhibit 1 details salary ranges for those positions for 2016.

The Resolution includes many of the provisions applicable to similarly situated executive staff by the County of Ventura ("County") under its Management Employees Resolution. However, in keeping with the VCERA Board's objective of providing readily understandable base compensation that is easily and publicly verifiable and consistent with the spirit of the Public Employees' Pension Reform Act of 2013 ("PEPRA") in that regard, the VCERA Resolution does not include compensation add-ons, such as additional payments for receiving educational degrees in the past and future, and the right to reimbursement for textbook and tuition payments, which the County provides to its employees. Instead, with the exception of the non-pensionable automobile allowance provided to the Retirement Administrator and certain available leave accrual and cash out rights provided on the same terms as provided to similarly situated County employees, VCERA employees' cash compensation is to be provided through their base salary alone, which is thus proposed to be increased to reflect those omissions.

Further, following the Board's adoption of the VCERA Resolution, the County confirmed its position that, at least as to the five executives appointed under AB 1291, they will not be permitted to retain and transfer to VCERA any of the annual leave that they accrued while County employees, as described in Section 813 of the VCERA Resolution. Accordingly, those five (5) individuals have requested that they each be granted 100 hours of annual leave upon each of their acceptance of any appointment offer made to them by VCERA, as proposed below.

Finally, in consideration of the cash compensation, and salary ranges, that the County provides to County employees who are similarly situated to the VCERA employees, to provide some of the recommended annual salaries, the salary ranges in Exhibit 1 need to be adjusted as proposed below.

Recommendation

The Board Chair proposes that the Board appoint the following individuals, on the following terms, to the VCERA employee positions authorized by AB 1291, to be effective at the beginning of the first day of payroll, two weeks following the individual's acceptance of the offer:

1) All proposed appointees receive 100 hours of annual leave at VCERA upon acceptance of offer of appointment.

2) In accordance with County policy regarding annual leave accrual rates, all proposed appointees either retain (Linda Webb and Henry Solis) or, as new Executive-level positions, are promoted to (Lori Nemiroff and Julie Stallings), or, are granted credit for over 15 years of prior public service (Dan Gallagher), annual leave accrual rate of 14.16 hours in Sec. 803 of the Resolution.

3) Proposed annual salary, salary range, and similarly situated County executives

i) VCERA Retirement Administrator, proposed appointee Linda Webb

Proposed annual salary: \$231,700¹

The annual salary, and top of the range, for this position is proposed to be comparable to the cash compensation provided to the County Assistant Chief Executive Officer.

ii) VCERA General Counsel, proposed appointee Lori Nemiroff

Proposed annual salary: \$210,000²

Increase the salary range for this position to \$220,000.

Initial performance review to occur within six (6) months of appointment.

The annual salary, and top of the range, for this position is proposed to be comparable to, and between, the cash compensation provided to the Chief Assistant County Counsel and County Counsel.

iii) VCERA Chief Financial Officer, proposed appointee Henry Solis

Proposed annual salary: \$180,000³

Increase the salary range for this position to \$190,000.

Initial performance review to occur within six (6) months of appointment.

The annual salary, and top of the range, for this position is proposed to be comparable to the cash compensation provided to the Assistant Chief Financial Officer of Health Care Agency.

¹The proposed appointee's current annual cash compensation for services rendered to VCERA is base salary of \$223,837.64, plus an educational allowance of \$7,834.32, as well as a non-pensionable auto allowance of \$4,500, which continues to be paid under the VCERA Resolution.

²The proposed appointee will move from a Senior Civil Attorney position receiving base compensation of \$170,813.04 to the new position of VCERA General Counsel, representing a substantial increase in responsibilities. The proposed appointee will be required to relinquish both civil service protection and continuation of the County's retiree health premium program to accept this promotion.

³The proposed appointee's current annual cash compensation for services rendered to VCERA is base salary of \$163,040.54, plus \$8,152.03 CPA pay. The proposed appointee will relinquish continuation in the County's retiree health premium program to accept this position.

iv) VCERA Chief Investment Officer, proposed appointee Dan Gallagher

Proposed annual salary: \$180,000⁴

Increase the salary range for this position to \$220,000.

Initial performance review to occur within six (6) months of appointment.

The salary range for this position is proposed to be the same as provided to VCERA's General Counsel.

v) VCERA Chief Operations Officer, proposed appointee Julie Stallings

Proposed annual salary: \$160,000⁵

Increase the salary range for this position to \$160,000.

The annual salary, and top of the range, for this position is proposed to be comparable to, and between, the annual cash compensation provided to the County Chief Health Operations Officer and the County Behavior Health Operations Officer.

Attachment:

Exhibit 1 to VCERA Management Employees Resolution, with proposed salary range adjustments

⁴The proposed appointee's current annual cash compensation for services rendered to VCERA is base salary of \$163,040.54, plus a CEBS payment of \$5,706.42, for a total current annual compensation of \$168,746.96.

⁵The proposed appointee will move from a Program Management Analyst position receiving base salary of \$129,191.66, plus an Educational Allowance of \$4,521.71, to the new position of VCERA Chief Operations Officer, reflecting a substantial increase in responsibilities. The proposed appointee will also relinquish civil service protection to accept this promotion.

PROPOSED REVISIONS TO SALARY RANGES

EXHIBIT 1
 OUTLINE OF SALARY & BENEFITS (2016 Calendar Year)
 VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION EMPLOYEES

VCERA Title	Salary Range	Benefit Category under County Management Employees Resolution	Unit for County Payroll Purposes
Retirement Administrator	\$156,731 - \$245,000	1	MA
General Counsel	\$146,866 - \$210,000 <u>220,000</u>	2	MB
Chief Financial Officer	\$116,446 - \$172,000 <u>190,000</u>	2	MB
Chief Investment Officer	\$116,446 - \$172,000 <u>220,000</u>	2	MB
Chief Operations Officer	\$90,790 - \$150,000 <u>160,000</u>	2	MB

Document comparison by Workshare Compare on Thursday, September 08, 2016 9:56:18 AM

Input:	
Document 1 ID	interwovenSite://WORKSITE/Nossaman_LL/23406256/1
Description	#23406256v1<Nossaman_LL> - Exhibit 1 to VCERA Mgmt Employees Resolution (with 9/12/16 proposed edits)
Document 2 ID	interwovenSite://WORKSITE/Nossaman_LL/23406256/2
Description	#23406256v2<Nossaman_LL> - Exhibit 1 to VCERA Mgmt Employees Resolution (with 9/12/16 proposed edits)
Rendering set	Standard

Legend:	
	Insertion
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	Style change
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Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	5
Deletions	5
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	10

STEPTOE & JOHNSON LLP
ATTORNEYS AT LAW


MEMORANDUM

Provided to VCERA
by the County of Ventura,
with privilege waived.

**CONFIDENTIAL
ATTORNEY-CLIENT
PRIVILEGED COMMUNICATION**

June 2, 2016

TO: Leroy Smith
County Counsel
County of Ventura

FROM: Don Wellington 

RE: Transition of VCERA Employees: The County Replacement Benefit Plan and
Accrued Leave Carry Over

This memo is in follow-up to our April 11, 2016 memo discussing whether employees of the Ventura County Employees' Retirement Association ("VCERA") may participate in certain benefit plans maintained by the County of Ventura ("County"). As discussed in more detail in the April 11, 2016 memo, the law was recently amended to permit the VCERA Board to appoint five employees (the "VCERA Employees"). You anticipate that VCERA will hire the same individuals who currently serve in the applicable positions as County employees. In our April 11, 2016 memo, we discussed the circumstances under which the VCERA Employees could continue to participate in County benefit plans. You have asked us two additional questions, as follows:¹

1. May the County amend the County Replacement Benefit Plan (the "RBP") to permit the VCERA Employees to continue to participate in the RBP?
2. Would there be a risk that VCERA Employees would have constructive receipt if the County permits them to retain a portion of their accrued annual leave (as opposed to

¹ The basic factual background is set forth in our April 11, 2016 memo, a copy of which is attached, and we do not repeat those facts here.

being cashed out for such leave) when they transition from employment with the County to employment with VCERA?

1. Participation in the RPB

You have told us that VCERA wishes to contract with the County to allow the VCERA Employees to continue to participate in the RBP. Under the RBP's current terms, there are two potential problems with participation by VCERA Employees, namely that the plan does not cover VCERA employees and that the plan prohibits the use of VCERA assets to pay benefits or plan costs. However, we think both of these issues could be addressed by amending the RBP.

First, the RBP only applies to County employees. This could be changed by a plan amendment. Specifically, Section 2.9 could be amended to expand the definition of "Member" to include VCERA employees. Other sections would also need to be similarly amended to reference VCERA employment, including sections 1.1, 1.2 and 4.4(c). When referring to VCERA in the amendments, care should be taken to distinguish between VCERA as the retirement system and VCERA as the employer. This could be accomplished by referring to "VCERA (in its capacity as an employer)."

The second problem with participation by VCERA Employees is that sections 4.1(b) and 6.3 of the RPB prohibit the use of VCERA assets to pay for benefits, plan administration or any other plan costs. Section 7.3 further states that the RBP may never receive or use any VCERA assets, or commingle assets with the County. To put these provisions into context, it is important to note that the RBP is intended to be a "qualified governmental excess benefit arrangement" under Section 415(m) of the Internal Revenue Code of 1986, as amended (the "Code"). Code Section 415(m) provides that benefits provided under a qualified governmental excess benefit arrangement are not taken into account for purposes of the Code Section 415 benefit limits. In order to be a qualified governmental excess benefit arrangement, the benefits provided by the plan may not be paid from a trust that is a part of the underlying governmental plan (unless the trust is maintained solely for the purpose of providing excess benefits). In other words, the VCERA defined benefit plan trust may not be used to pay the RBP benefits.

In this case, however, we think it would be possible to distinguish between the assets of VCERA that form the underlying defined benefit plan trust, and the assets that are used to pay VCERA's administrative expenses related to employment. To that end, we think the plan could be amended to provide an exception to Sections 4.1(b), 6.3 and 7.3 such that VCERA (in its capacity as an employer) would pay for its share of RBP plan costs associated with its employees. It would be helpful if we could also reference a specific VCERA administrative fund that would be used to satisfy these employment related expenses, if VCERA uses a separate fund for its administrative expenses. We suggest that before drafting the plan amendment, we have a discussion with VCERA about its internal accounting procedures for administrative expenses in order to better understand how it distinguishes between VCERA defined benefit plan assets and VCERA administrative assets. If a separate fund is used, we should reference this in the amendment to make it clear that defined benefit plan assets are not being used for the RBP.

2. Carryover of Accrued Leave

You also asked whether there would be a risk of constructive receipt if the County permits VCERA Employees to retain a portion of their accrued annual leave (as opposed to being cashed out for such leave) when they transition from employment with the County to employment with VCERA. You have told us that VCERA employees may have up to 880 hours of accrued annual leave at the time they transition from County employment to VCERA employment. You have also told us that VCERA wishes to reach an agreement with the County that the VCERA employees would be permitted to retain up to 500 hours of accrued annual leave and carry that from the County to VCERA. For the reasons described below, we think that there is a material risk that the accrued leave carry over could result in constructive receipt.

As a general rule, income is includible in an employee's gross income in the taxable year in which it is actually or constructively received by the employee using the cash receipts and disbursements method of accounting. *See* Code § 451(a), Treas. Reg. § 1.451-1(a). Income is constructively received when it is credited to the employee's account, set apart or *otherwise made available* so that the employee may draw on it at any time. *See* Treas. Reg. § 1.451-2(a). Conversely, income is not constructively received if the employee's control of its receipt is subject to substantial limitations or restrictions. Applying these rules to accrued annual leave, the cash value of the leave would be included in the employee's gross income in the year that the employee has a right to exchange the leave for cash, unless that right is subject to substantial limitations or restrictions (such as a significant discount or penalties).

In our case, to the extent that VCERA Employees are given the *option* to carry over 500 hours of accrued annual leave *or* take cash, they likely will have constructively received the cash value of the leave at that time. In other words, the option itself will result in constructive receipt, whether or not the employee exercises the right to receive payment. As a result, an employee who chooses to carry over accrued leave from the County to VCERA would likely recognize income tax on the cash value of the leave in the year he or she moves to VCERA, notwithstanding that the leave is not actually cashed out.²

On the other hand, if the VCERA Employees have *no option* to take cash in lieu of carrying over the 500 accrued hours, meaning they are required to carry over 500 hours of accrued leave, then there would be no constructive receipt. Put another way, if the County and VCERA could legally *prohibit* VCERA employees from cashing out the first 500 hours of their accrued leave at the time they move from the Country to VCERA, then constructive receipt could be avoided. However, an outright *prohibition* on cashing out the first 500 hours of accrued leave would likely be inconsistent with California wage and hour law. Section 227.3 of the California Labor Code provides that, unless otherwise provided by a collective-bargaining

² There are additional tax limitations under Code Section 409A and 457 that would apply if the accrued leave arrangement is not a bona fide vacation leave plan. For purposes of this memo, we have assumed the accrued leave arrangement is a bona fide vacation leave plan.

agreement, vested vacation time must be paid as wages when an employee is terminated.³ In this case, although the VCERA Employees will work for a successor employer, they arguably will still incur a termination for purposes of state wage and hour law. We did not find any California authority that suggests that, for wage and hour purposes, there would be no termination in the context of a successor employer.

In a related context, the California Division of Labor Standards Enforcement (“DLSE”), the state agency responsible for enforcing state wage-and-hour laws, has taken the position that the sale of a business constitutes a termination of employment, and that employees can carry over leave in the context of a sale of a business only with employee consent. Specifically, the DLSE *Enforcement Policies and Interpretations Manual* (the “DLSE Manual”) provides that in the context of a sale of business, the old employer who owes wages or benefits cannot substitute the new employer without the express written consent of the employees. See *Enforcement Policies and Interpretations Manual*, § 15.1.11, California Division of Labor Standards Enforcement, March, 2007.⁴ To support this position, the DLSE Manual cites *Chapin v. Fairchild Camera and Instrument Corp* for the proposition that the sale of a business constitutes a termination of the employment. 31 Cal.App.3d 192 (1973). However, in *Chapin*, employees were hired by the purchaser under substantially different terms than were included in their prior employment agreements.

It is not clear that the DLSE or a court would reach the same conclusion in our situation where the VCERA Employees will be hired by VCERA under similar employment terms, but there is certainly a risk that they could, particularly if one of more VCERA Employees were to object to not receiving a cash-out of accrued leave. Because it is not clear under state law that the County may lawfully require the VCERA Employees to carry over accrued annual leave without employee consent, there is a material risk that the IRS would find that the VCERA Employees have constructive receipt of the cash value of the leave. We think this risk exists even if the County characterizes the carry over as mandatory since that characterization would not be well supported under state law. If the IRS were to find that there was constructive receipt, it could result in penalties and interest for the VCERA Employees, and in reporting and withholding penalties for the County.

³ See also *Suastez v. Plastic Dress-Up Co.*, 31 Cal.3d 774 (1982) (holding that right to paid vacation time vests as labor is rendered); *Boothby v. Atlas Mechanical, Inc.*, 6 Cal.App.4th 1595 (1992) (holding that employer must compensate employee for all vested vacation time remaining unused at termination); *Church v. Jamison*, 143 Cal.App.4th 1568 (2006) (holding that termination of employment gives rise to monetary obligation to pay employee for unused vested vacation time).

⁴ Please also note that although the Manual suggests what the DLSE’s enforcement position will be, courts have held the Manual amounts to an underground regulation and is entitled to no deference. See *Tidewater Marine Western, Inc. v. Bradshaw* (1996) 14 Cal.4th 557, 572; *Cash v. Winn* (2012) 205 Cal.App.4th 1285, 1302.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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September 12, 2016

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

SUBJECT: AUTHORIZATION FOR COO JULIE STALLINGS AND BENEFITS MANAGER SHALINI NUNNA TO ATTEND THE ANNUAL VITECH CONFERENCE NOVEMBER 2-4, 2016, IN ORLANDO, FLORIDA

Dear Board Members:

Staff recommends authorization for COO Julie Stallings and Benefits Manager Shalini Nunna to attend the annual Vitech conference in Orlando, Florida. The estimated cost to attend is approximately \$3500, including, registration, airfare, hotel, meals and other related expenses.

VCERA staff will be pleased to respond to any questions you may have on this matter at the September 12, 2016, business meeting.

Sincerely,



Linda Webb
Retirement Administrator



Meeting at the Corner of Strategy & Opportunity
 November 2-4, 2016
 Orlando, Florida

Conference Agenda

Wednesday, November 2nd

7:00 – 10:00pm **Welcome Reception**

Thursday, November 3rd

8:00 – 9:00am **Registration & Breakfast**

9:00 – 9:45am **Welcome & Keynote Address**

Vitech welcomes Garry Kasparov to deliver this year’s Keynote Address and share his unique thoughts and perspectives on strategy, innovation and leadership. Garry is known internationally as a legendary world chess champion, and for his famous matches against the IBM super computer “Deep Blue.”

10:00 – 10:45am **CEO Address**

Join Vitech’s CEO, Frank Vitiello, for an engaging survey of industry trends and priorities, an exciting unveiling of new V3 capabilities and an informative look at V3 and Vitech future directions.

11:00 – 11:45am **V3 In Action**

In this unique session, several of the most sophisticated and compelling V3 organizations in the country will share their experiences, advice and insider tips. Join your peers in what is sure to be an informative and entertaining dialogue!

11:45 – 1:30pm **Lunch**

Breakout Sessions:

<p>1:30 – 2:15pm</p>	<p><u>Opportunity</u> Digital Engagement</p> <p>Your customers now exist in a digital world and this is a great opportunity. The right digital engagement strategy can build loyalty, improve satisfaction and even contain costs. A poor strategy can alienate your customers and degrade your brand. Let’s talk!</p>	<p><u>Strategy</u> V3 Power User</p> <p>This session will focus on V3 power user features, including core configurations, data extensions, and a variety of productivity and performance enhancing tips and recommendations. This is the recommended prerequisite session to the hands-on Core Configuration session.</p>	<p><u>Hands-On</u> Business Intelligence</p> <p>A Hands-On opportunity to explore V3’s business intelligence and reporting capabilities. Topics will include query development and publishing, report formatting, advanced query features and more.</p>

2:30 – 3:15pm	<p>Industry Insider</p> <p>Your core administration solutions are a complicated affair influenced by a wide array of shifting industry, regulatory, and technology factors. This session will look behind the curtain at a variety of important topics, including cloud computing, security challenges, emerging technologies, regulatory issues, competitive trends, new service expectations and more.</p>	<p>V3 Self Service</p> <p>This session will focus on V3 Self Service capabilities and configurability including branding, news, messaging, chat, layout, theming, V3 Mobile and more. This is the recommended prerequisite session to the hands-on Digital Design session.</p>	<p>Dashboard Analytics</p> <p>A Hands-On opportunity to explore V3's analytical features as manifested on the V3 Dashboard and in conjunction with V3 query. Topics will include an array of data linked widgets including lists, charts, folders and more.</p>
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3:30 – 4:30pm Round Table Sessions

7:15 – 10:15pm Evening Reception

Friday, November 4th

8:30 – 9:30am Breakfast

Breakout Sessions:

9:30 – 10:15am	<p>Opportunity</p> <p>Secrets to Success</p> <p>An important and empowering examination of the best-practices and key ingredients that underlie successful implementations and ongoing production installations. This is a valuable session for any organization, whether you are in the midst of an implementation or have long been in production. There are surely valuable nuggets here for you.</p>	<p>Strategy</p> <p>V3 Technology</p> <p>An under-the-covers look at the latest V3 technology components and broader technology ecosystem. Topics will include core architecture, service based integration, compatibility, value-added third party options and recommendations, and more.</p>	<p>Hands-On</p> <p>Digital Design</p> <p>An exciting Hands-On opportunity to explore V3's extensive digital branding capabilities. Topics will include portal theming, portal layout, portal components and more. Build your own self service site! The V3 Self Service strategy session is a recommended prerequisite.</p>
10:30 – 11:15am	<p>Upgrade Path</p> <p>V3 is a dynamic and evolving platform. Version 10, new portal and mobile offerings, new communication capabilities, the V3 Cloud and more are all recent advancements for which your organization should be planning. This session will examine the V3 upgrade path and present you with a framework for developing your own upgrade path.</p>	<p>V3 Database</p> <p>An insider's guide to understanding, navigating and exploiting the power of the V3 database. Topics will include database structure, core data models, database connections and data access. Light to moderate DBA and/or SQL skills recommended.</p>	<p>Core Configurations</p> <p>A unique Hands-On opportunity to try out an array of "power user" and core configuration features. Topics will include data extensions, entity configuration, V3 World management and more. The V3 Power User strategy session is a recommended prerequisite.</p>

11:30 – 12:00pm Closing Ceremony

12:00 – 1:30pm Lunch

Close of Conference

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>

September 12, 2016

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

**SUBJECT: APPROVAL OF BUSINESS CLASS AIR TRAVEL TO INVESTMENT
MANAGER WALTER SCOTT FOR AN ON-SITE DUE DILIGENCE VISIT
AND INVESTMENT CONFERENCE OCTOBER 4TH – 7TH IN EDINBURGH,
SCOTLAND**

Dear Board Members:

The Board's Travel Policy provides for business class air travel for flights that exceed 8 hours, subject to Board approval. Further, the Policy recommends that when possible, on-site due diligence meetings be made in conjunction with educational opportunities.

Staff recommends that the Board approve for Trustees Bill Wilson, Will Hoag, and CIO Dan Gallagher business class air travel for investment manager due diligence at Walter Scott's offices in Edinburgh, Scotland on Tuesday, October 4; continued due diligence meeting with members of Walter Scott's investment research teams, Professor Paul Marsh, Emeritus Professor of Finance, London Business School, and other experts on October 5; and, attend the Walter Scott investment conference on Thursday and Friday, October 6 and 7.

As of July 31, 2016, Walter Scott actively managed approximately \$101 million for VCERA in a publicly traded, non-U.S. equity investment portfolio.

Respectfully submitted,



Dan Gallagher
Chief Investment Officer

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: QUARTERLY RETIREMENT ADMINISTRATOR'S REPORT

Dear Board Members:

In compliance with VCERA's Monitoring & Reporting Policy, this report will include information regarding travel, training, key meetings and media communications, as well as other key issues for April through June of 2016.

General

April through June were busy months, as we progressed through several key strategies and issues. As expected, with the "live" date of the system occurring in April, work and meetings related to the V3 system again required a large amount of time and effort. In addition to the official launch and transition, strategies for the launch of Member Self-Service (MSS) were developed and discussed.

I continued to reach out to the Auditor-Controller's office to work out solutions to the issues of transmittal errors/issues and our request for read-only/query access to the VCHRP retirement tables.

On PEPPRA pensionable compensation, staff worked with outside counsel on the analysis of the County of Ventura's submission of materials related to market-based premium pay items in response to the Board's request.

The planning and finalization of the 2016-2017 were completed in this quarter, with the final drafted budget and accompanying information provided to the Board in June.

In regard to the vacant VCERA I.T. position, staff drafted and submitted a contract for a contracted resource, but the individual rescinded his interest in the arrangement. We are working with Vitech to identify an alternative resource.

Travel & Training

I attended the SACRS Spring conference in May, and served as facilitator of the breakout session for the Administrators. In June, I attended the one-day Administrators' Roundtable in San Jose.

Board/Policy/Compliance

We worked with Hanson Bridgett to respond to some follow up questions from the IRS regarding our determination filing. These were fairly minor and those were resolved and submitted promptly. We worked with them further on submitting a request for refund for a late penalty on a state tax payment, which is still pending.

Media

There was no media interaction this quarter.

Key Meetings

Apart from meetings directly related to the items already mentioned, on June 22nd, I met with Trustee Bianchi to do an initial orientation and provide background information to help him begin his term successfully.

Please let me know if you have any questions or concerns regarding the information provided in this report.

Sincerely,

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

Linda Webb
Retirement Administrator



Presented to:



Global Outlook and Investment Implications

KEY OBSERVATIONS

- ◆ Secularly, there are too many promises relative to the ability to pay them. We are approaching an inflection point.

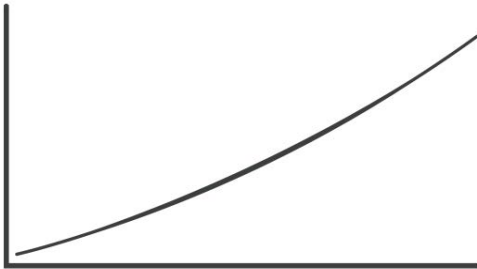
- ◆ Cyclically, markets are pricing in the recent past and not what is most likely.
 - US: markets pricing in historically low inflation and limited tightening, while conditions are stronger.
 - Japan and Europe: markets are pricing ineffective central bank policy and cash is piling up to extreme levels.
 - Emerging markets: cheap currencies and high real yields look favorable relative to improving conditions.

- ◆ Low bond yields are causing money to leak into gold and risky assets. We expect this to accelerate.

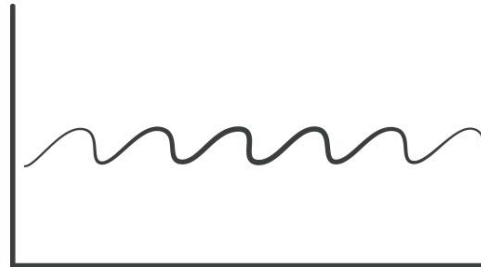
OUR ECONOMIC TEMPLATE

THREE BIG FORCES

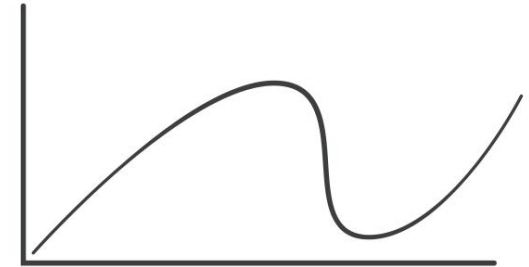
1. Productivity



2. The Short-Term Debt Cycle (5 – 8 years)



3. The Long-Term Debt Cycle (50 – 75 years)



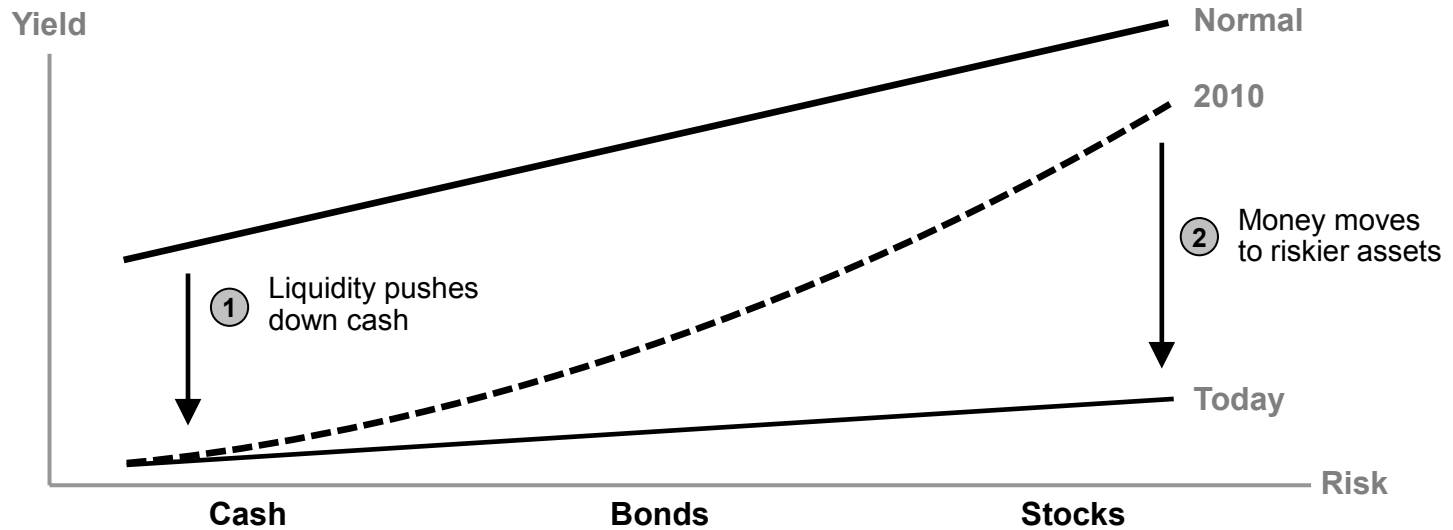
THREE EQUILIBRIUMS

1. Debt growth is in line with the income growth that is required to service debts.
2. Economic capacity utilization is neither too high nor too low.
3. Projected returns of equities are above the projected returns of bonds which are above the projected returns of cash by appropriate risk premiums.

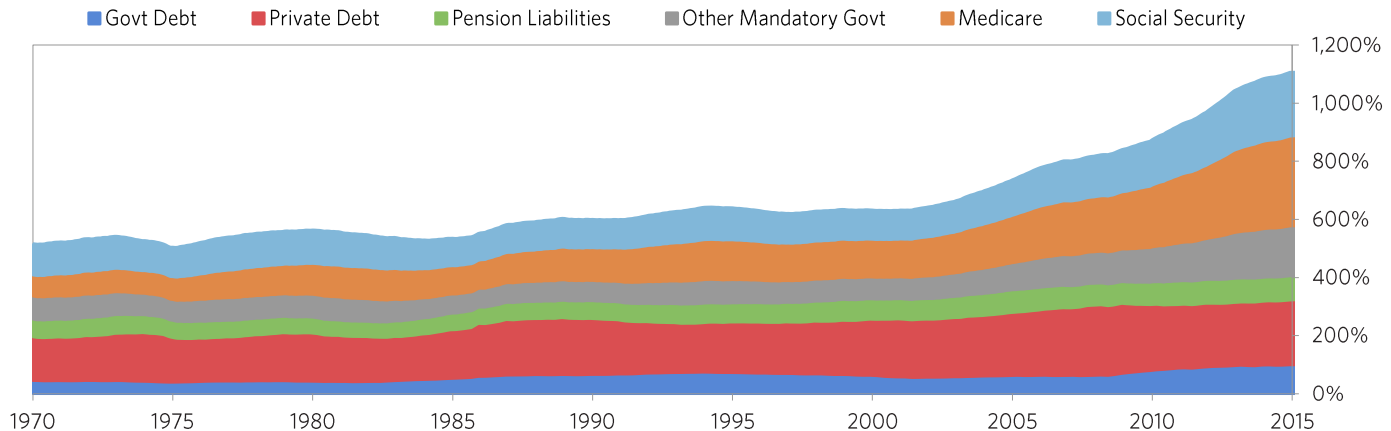
TWO LEVERS

1. Monetary Policy
2. Fiscal Policy

LOW EXPECTED RETURNS WILL LEAD TO A BIG SQUEEZE



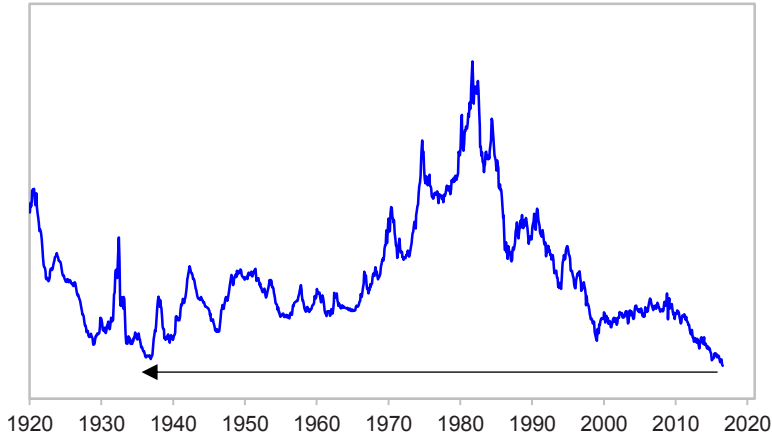
**Total IOUs in the US
(%GDP, Discounted by Int Rates)**



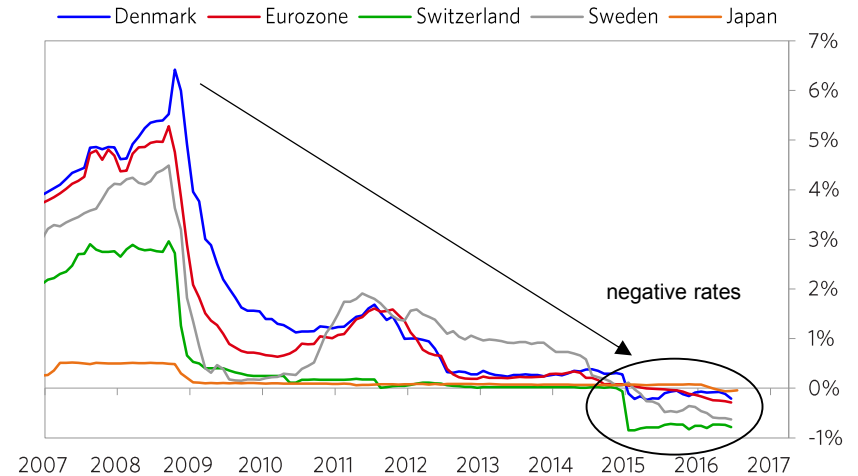
Note: Medicare, Social Security, and other government programs represent the present value of estimates of future outlays from the Congressional Budget Office.

CENTRAL BANKS ARE BEING PUSHED TO THEIR LIMITS

Developed World Monetary Fuel in the Tank

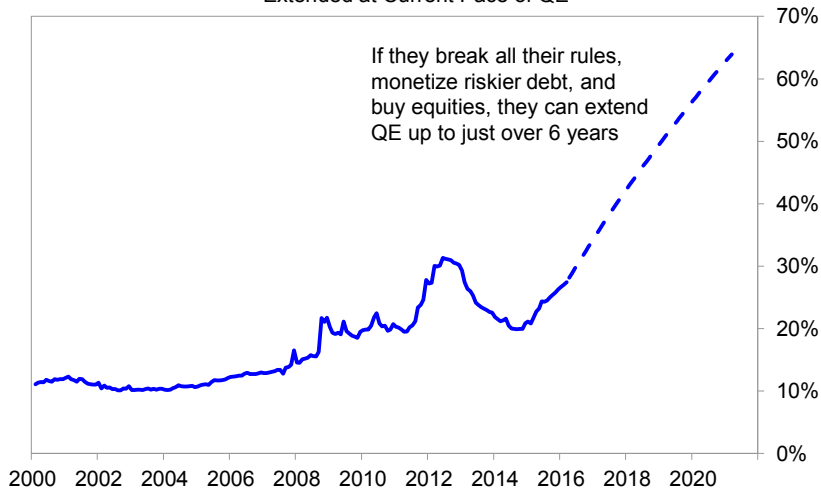


Short Rates



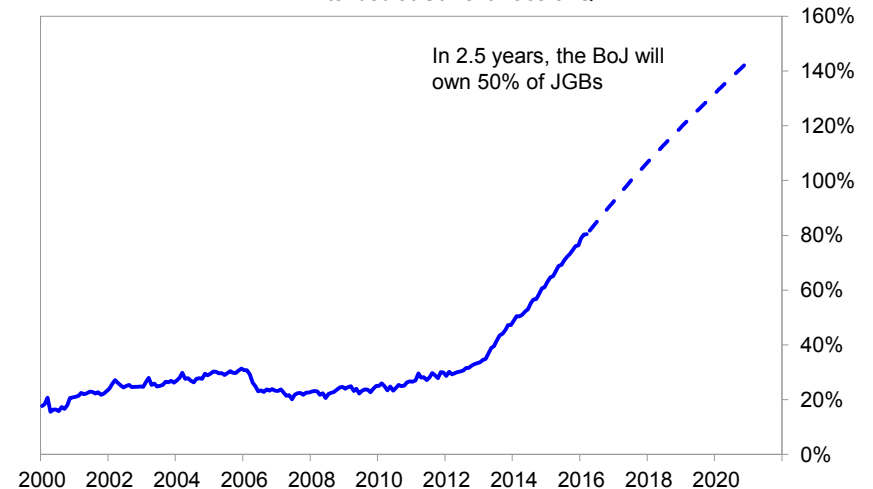
ECB Total Assets (%GDP)

--- Extended at Current Pace of QE



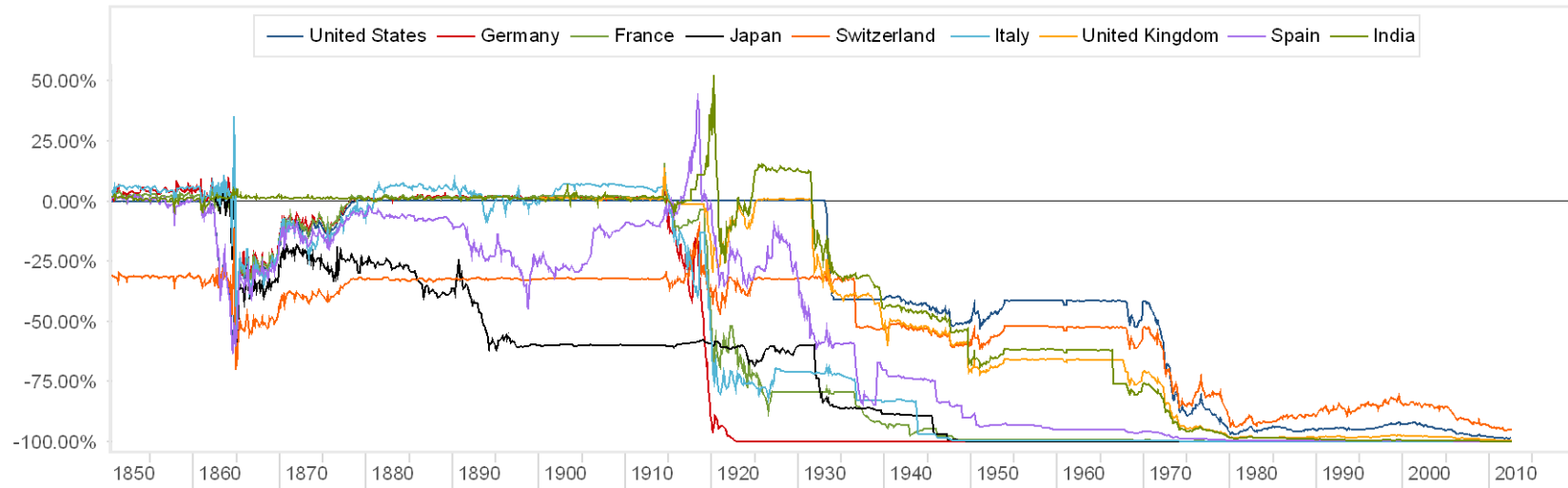
BoJ Total Assets (%GDP)

--- Extended at Current Pace of QE

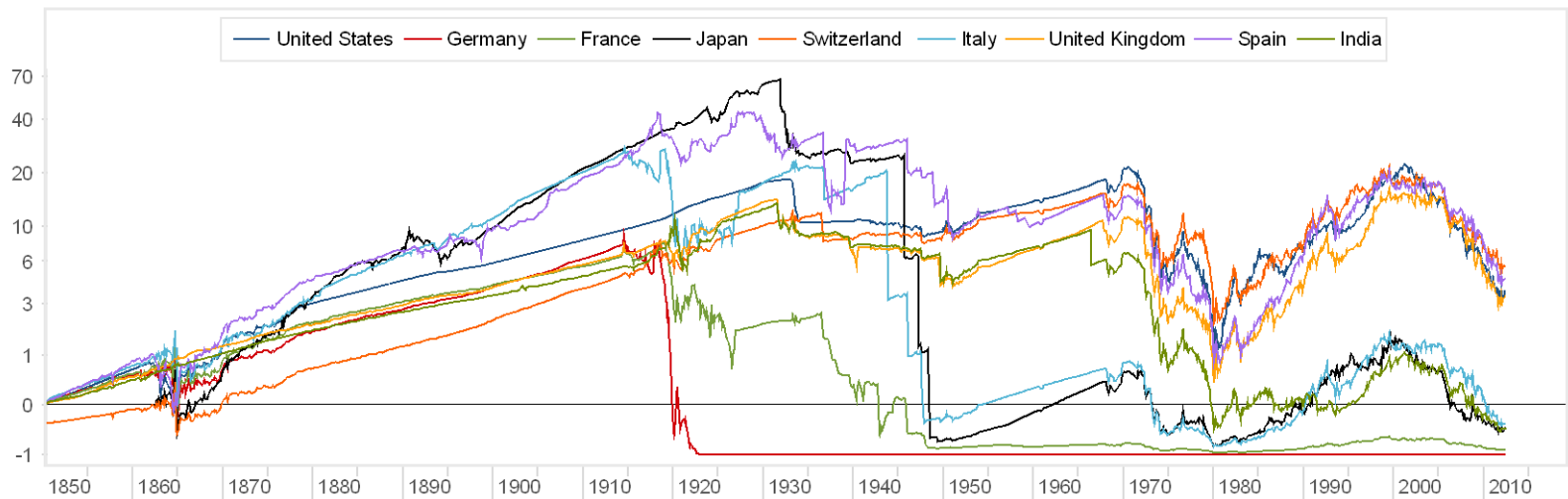


ALL CURRENCIES DIE OR DEVALUE

Spot FX Return v. Gold



Total Return, In (Continuous Gov. Bill Investment) v. Gold



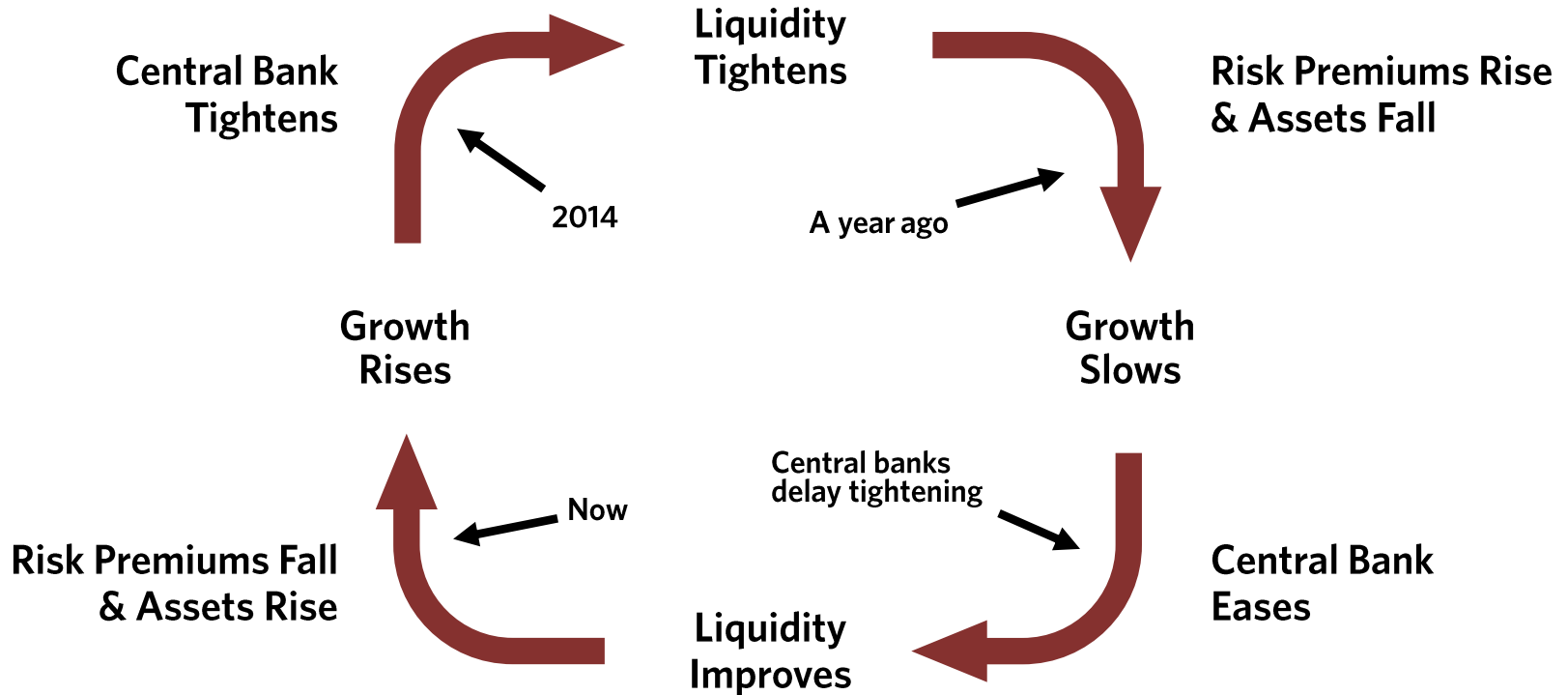
MONETARY POLICY IS LIMITED AT A TIME WHEN THERE ARE UNIQUE POLITICAL CHALLENGES

- ◆ The need for political cohesion is increasingly critical but fragmentation is rising.
 - Non-establishment and populist parties rising in US and Europe.
 - The Brexit vote highlights the heightened risks.
 - Instability in many EM countries (e.g. Turkish coup, Brazil impeachment).

- ◆ Chinese policy has to deal with many simultaneous and large challenges.
 - Debt problems, economic reforms, capital market development and balance of payment strains, corruption initiative, upcoming 19th National Congress.

THE LIQUIDITY CYCLE

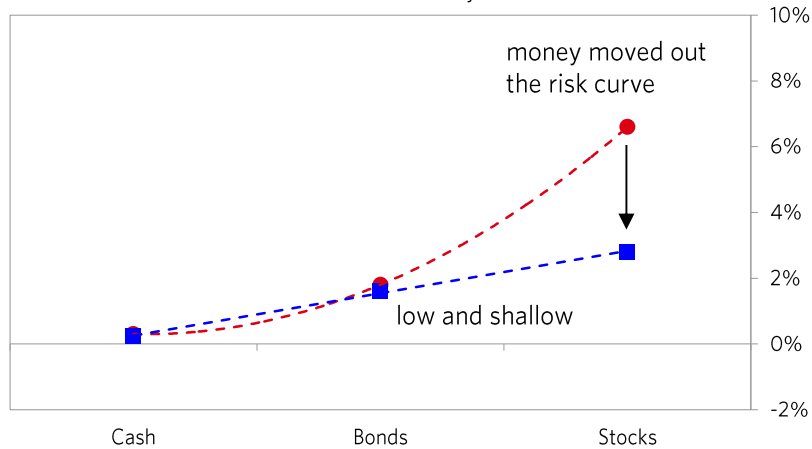
(i.e., cash to assets, assets to cash)



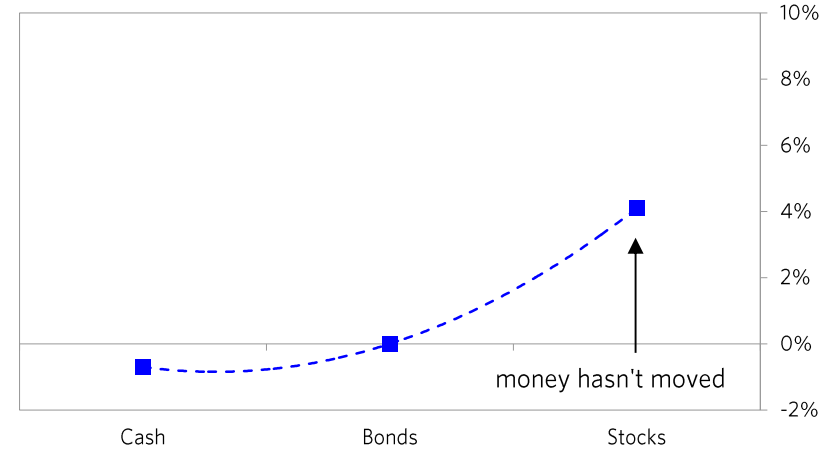
MARKETS ARE DISCOUNTING THE PAST INSTEAD OF WHAT IS MOST LIKELY

USA Asset Returns

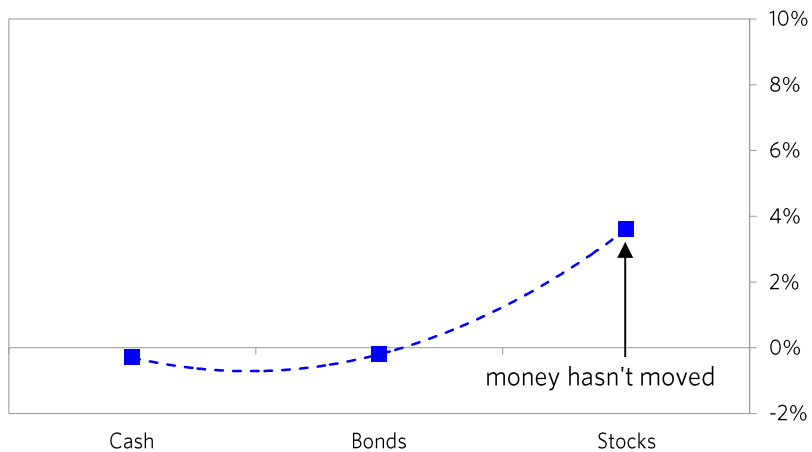
● 2012 ■ Today



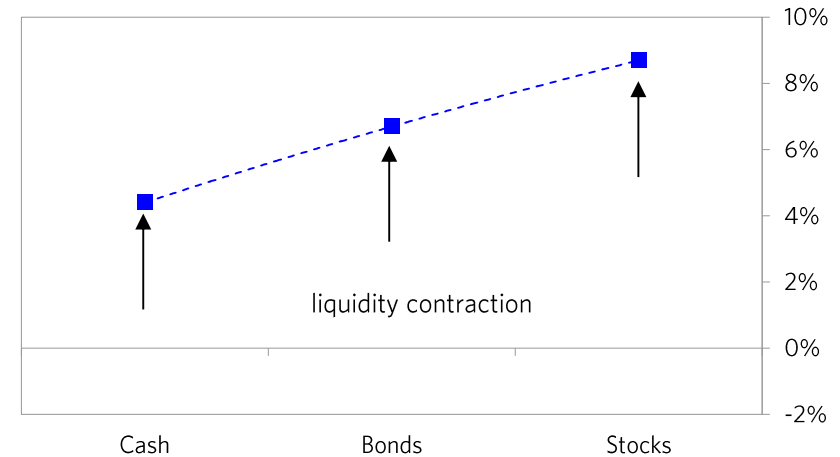
Eurozone Asset Returns



Japan Asset Returns

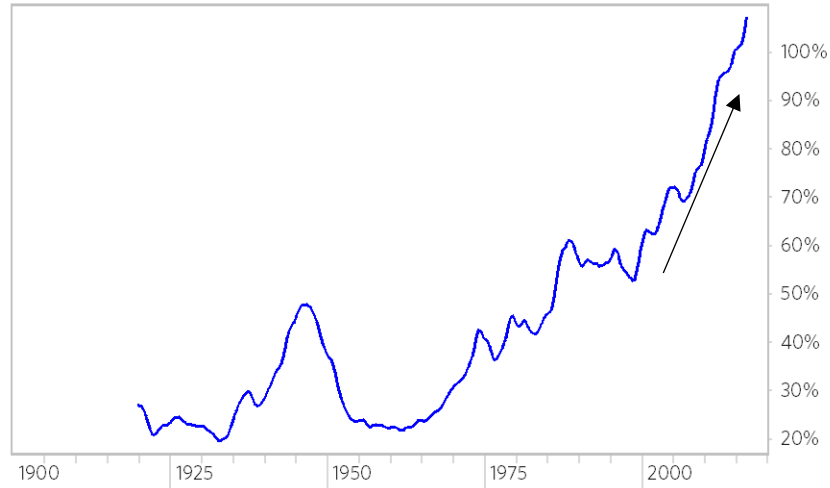


EM ex-China Asset Returns



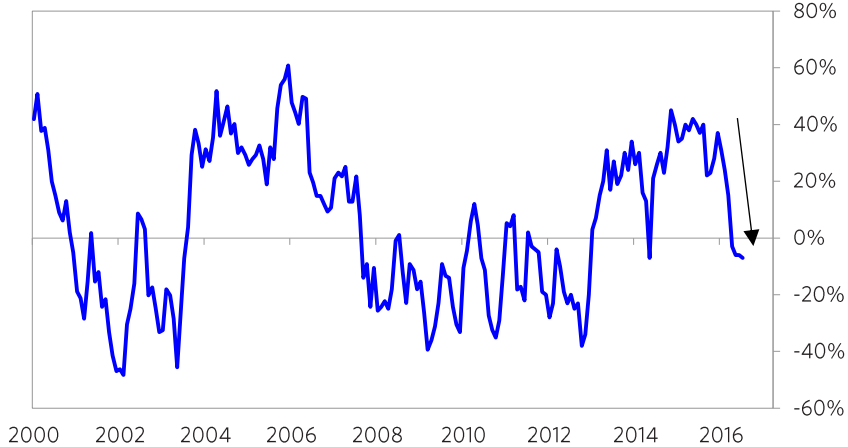
CASH IS PILING UP, AND SENTIMENT IS WEAK

Global Cash Holdings (% World GDP)



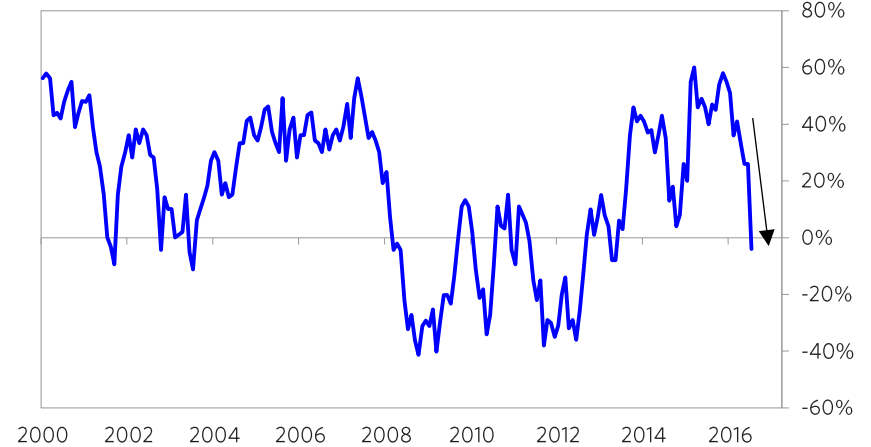
Equity Manager Sentiment Gauge

— Japan



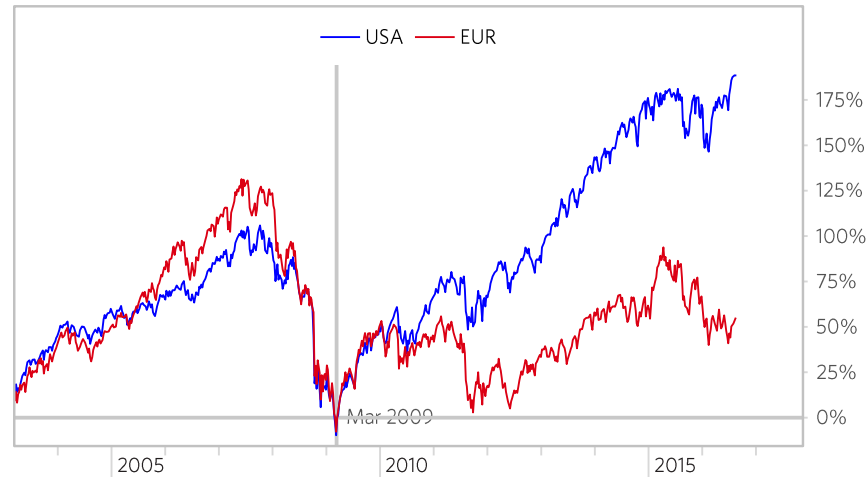
Equity Manager Sentiment Gauge

— Eurozone



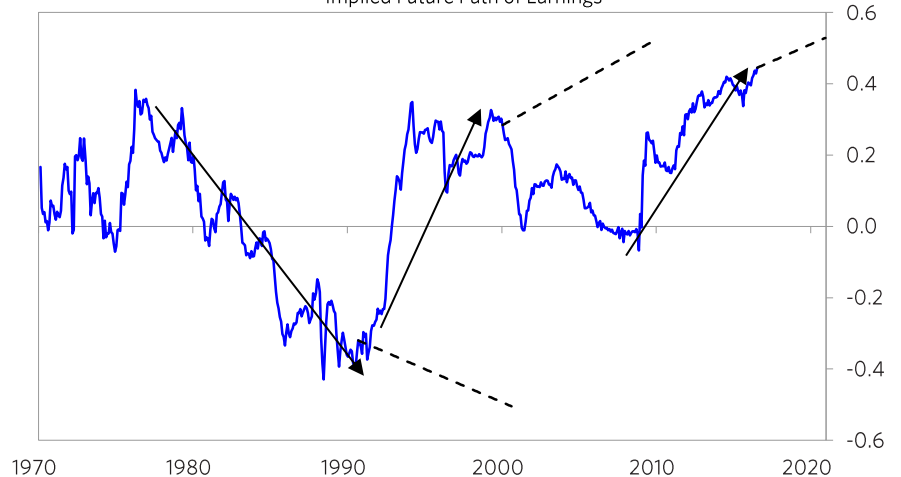
MARKET PRICING IS EXTRAPOLATING THE RECENT US OUTPERFORMANCE

Equities Prices



US vs Developed World Forward EPS (In)

--- Implied Future Path of Earnings



EPS Growth

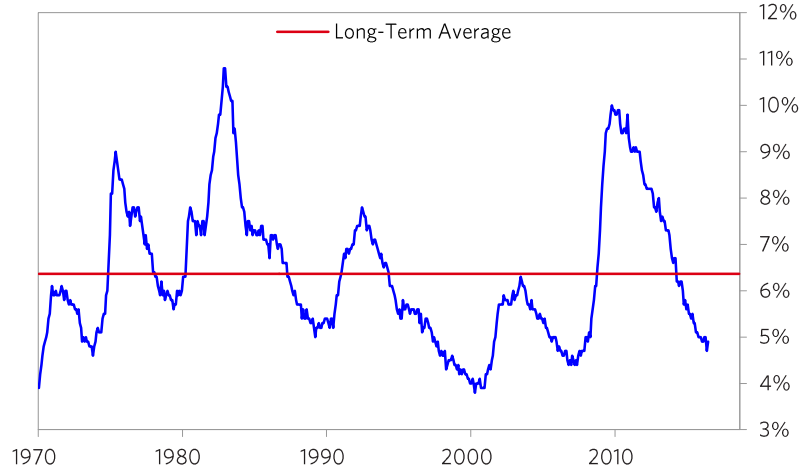
(2010 - Present)

	USA	Dev Wld	Difference
EPS	27%	5%	22%
Shares Impact	6%	-4%	10%
Earnings	19%	9%	10%

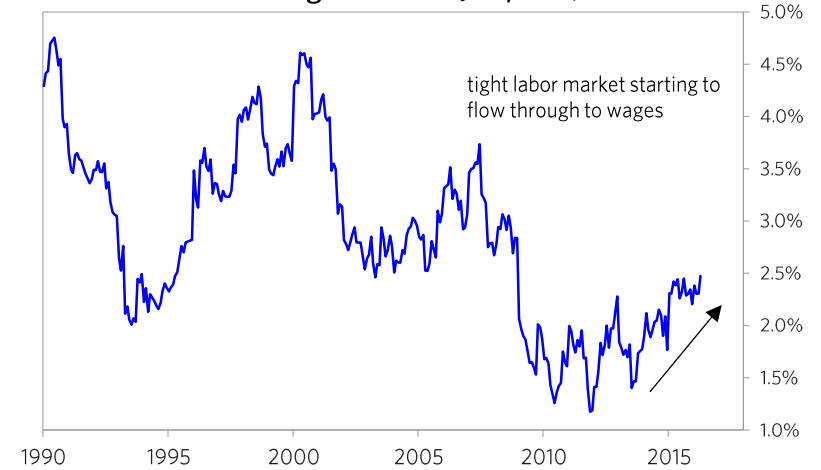
↑
About half of impact from share reduction and half from organic earnings growth

US CYCLICAL PRESSURES SHIFTING TOWARDS TIGHTENING

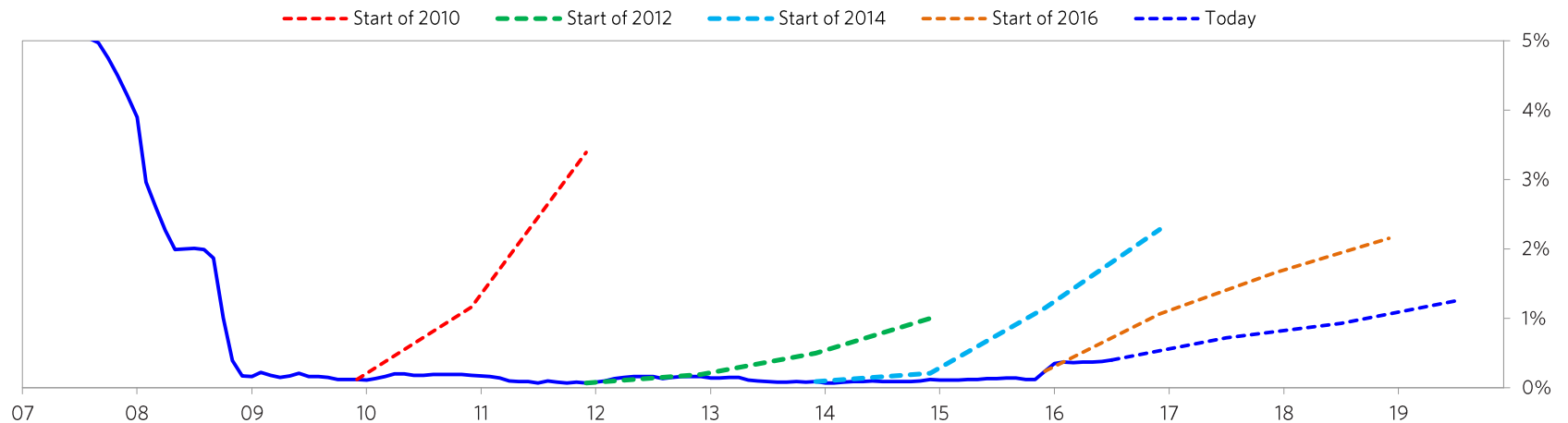
Unemployment Rate



US Wage Inflation (6m, Ann)

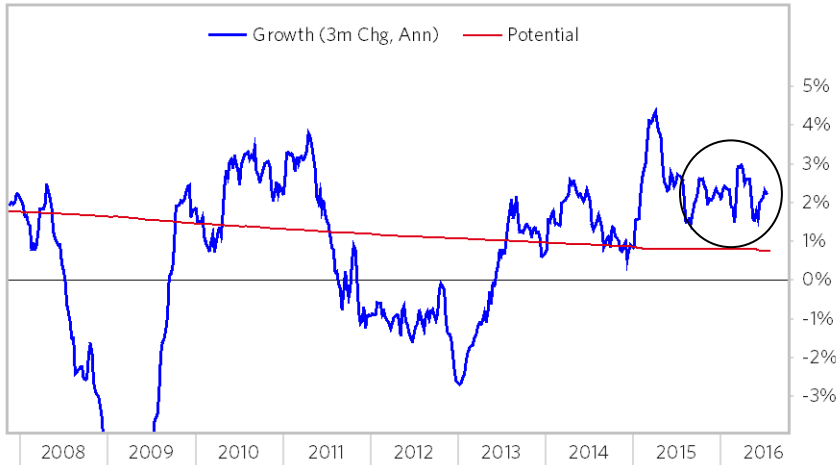


Priced-In Forward Short Rate Path

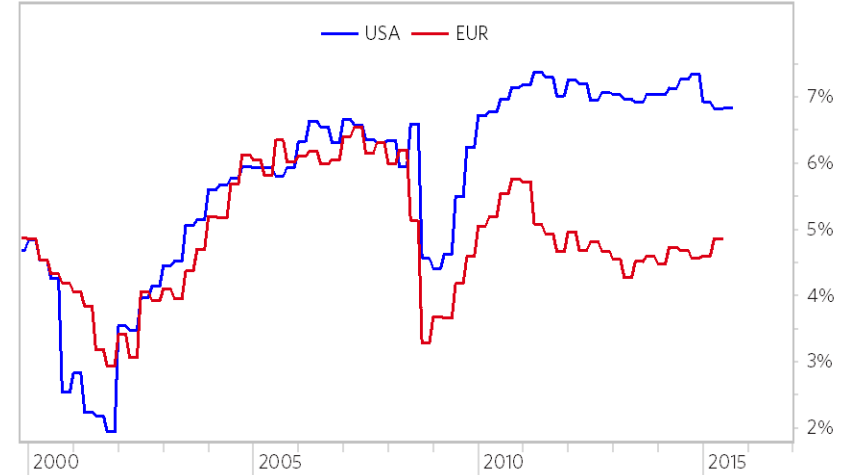


EUROPE: CONDITIONS IMPROVING, WITH HEADWINDS FADING

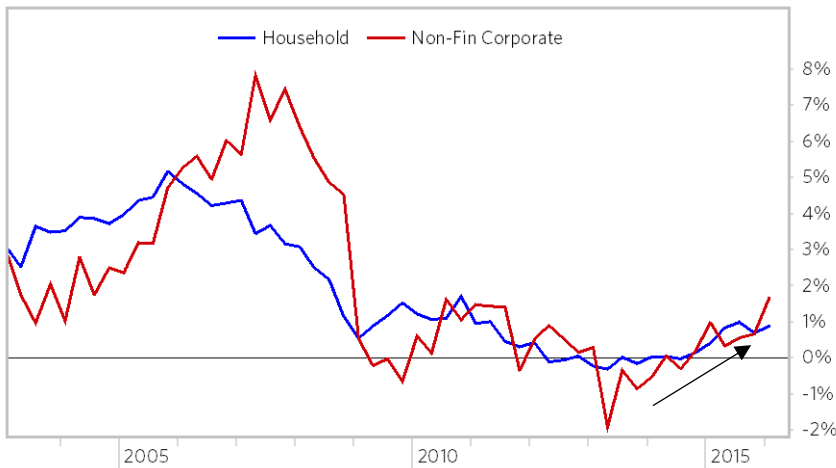
Eurozone Growth



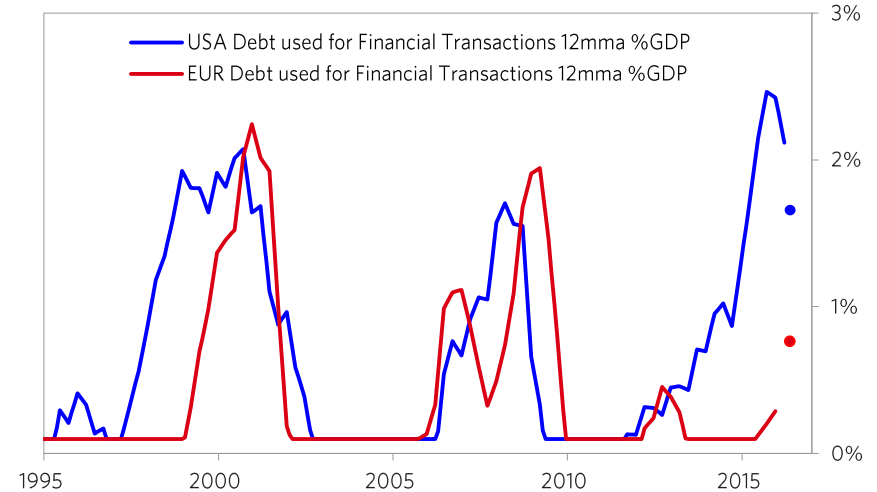
Corporate Margins



Eurozone Credit Creation %GDP

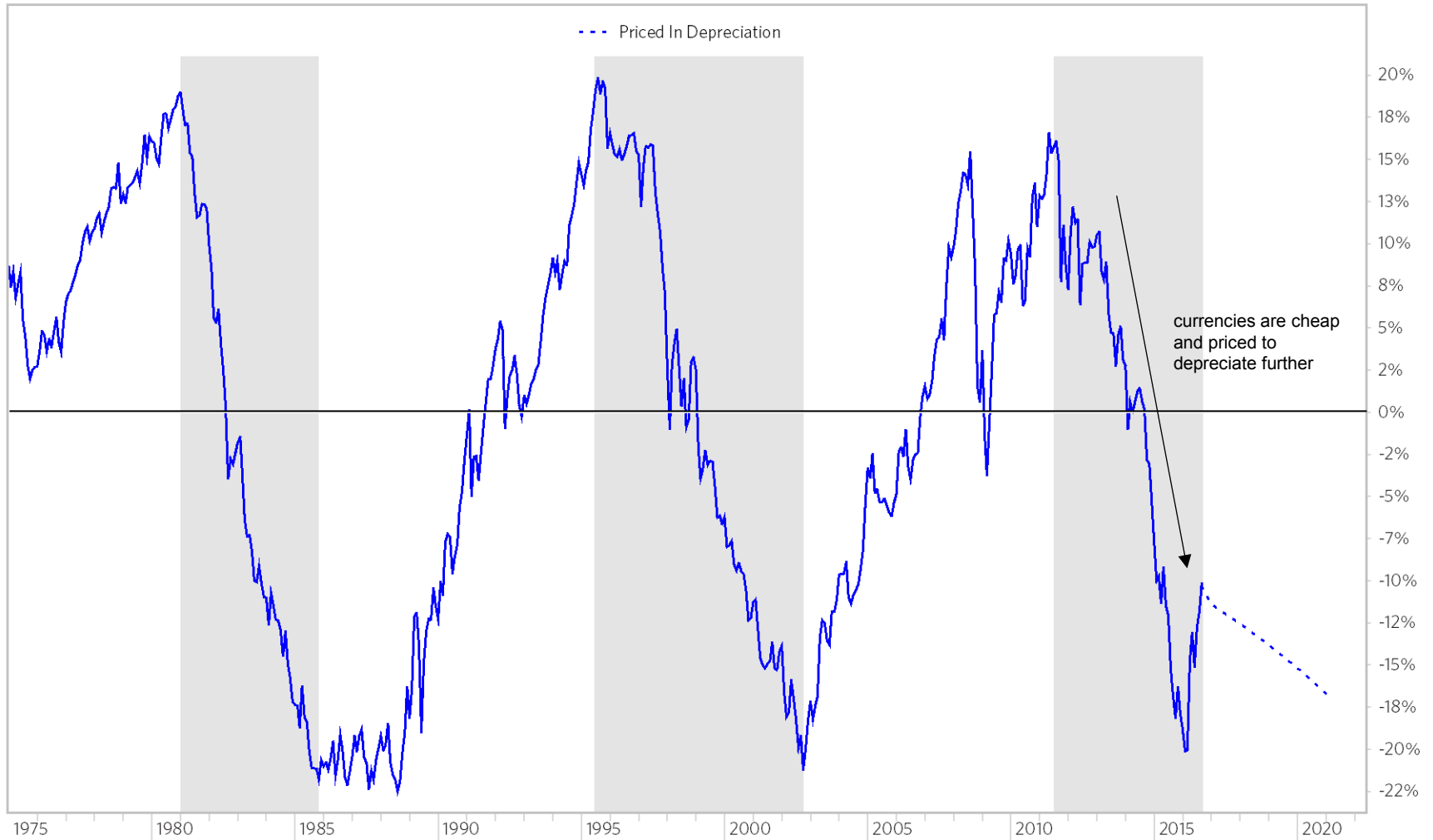


Corporate Transactions



EM ASSETS LOOK INCREASINGLY ATTRACTIVE

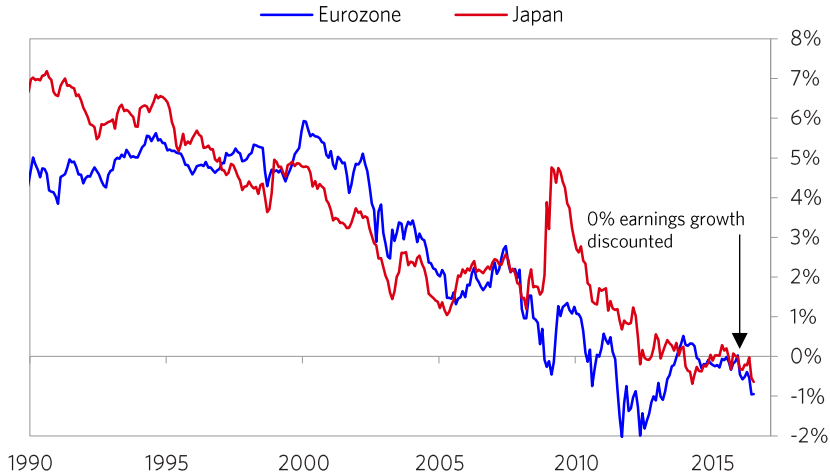
EM ex-China Real FX vs USD



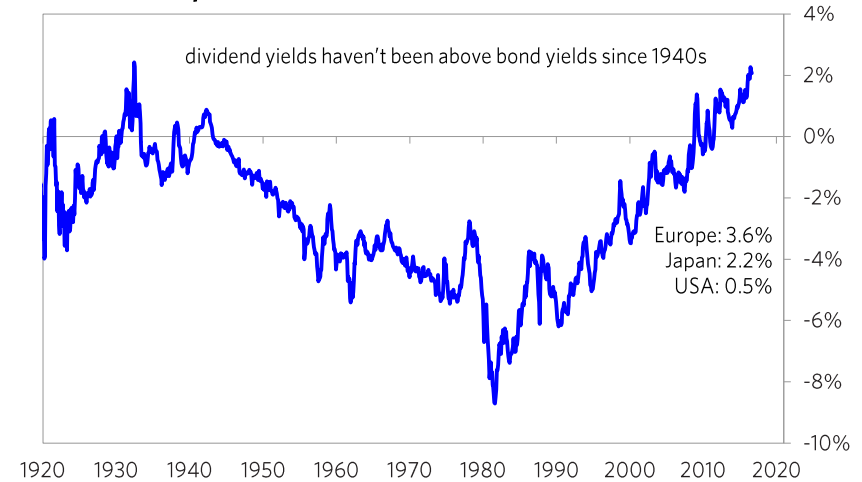
Appendix

DEVELOPED MARKETS ARE NOW DISCOUNTING WEAK GROWTH AND DISINFLATION

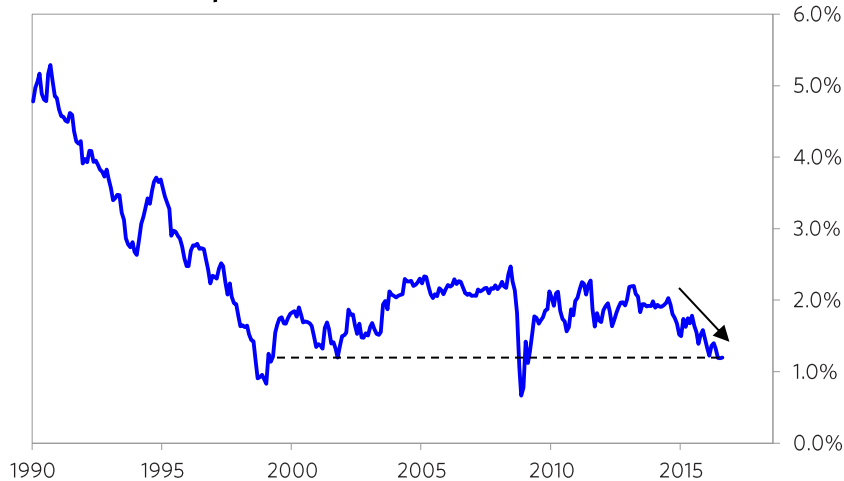
Market-Implied Real Earnings Growth



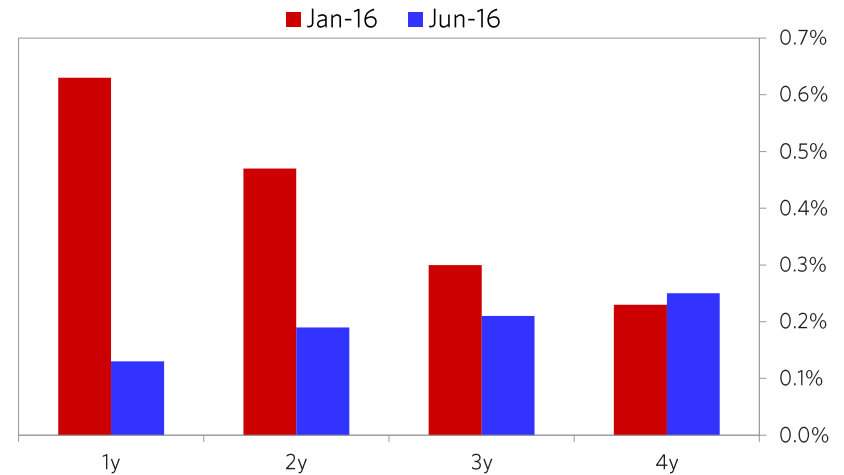
Developed World Dividend Yield Minus Bond Yield



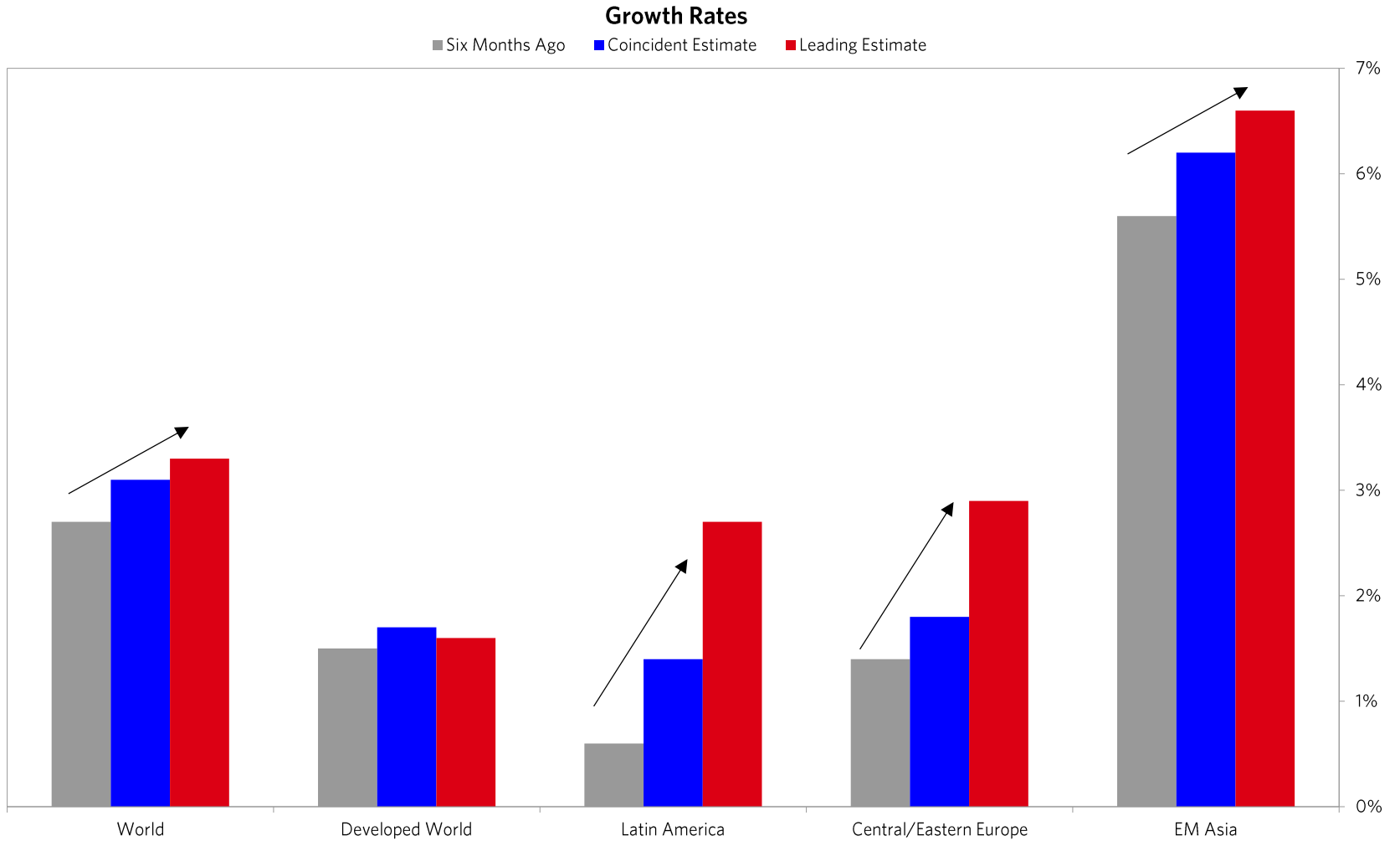
Developed World 10-Year Breakeven Inflation



US Priced-In Annual Tightening

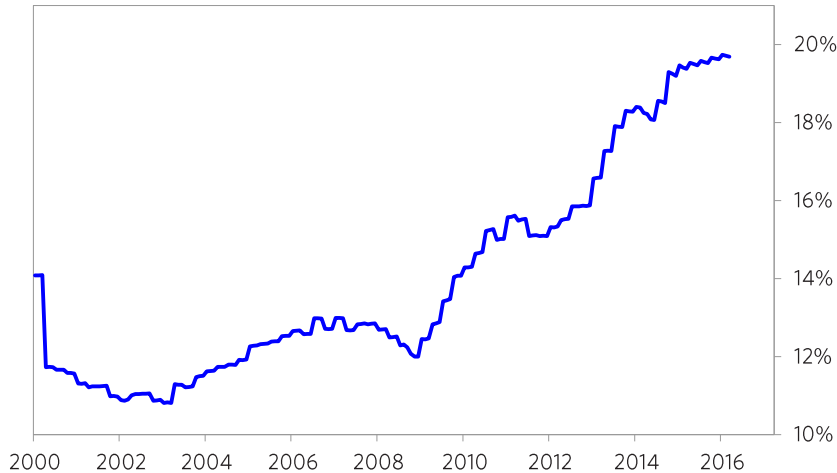


GLOBAL CYCLICAL UPSWING, NOT DISCOUNTED

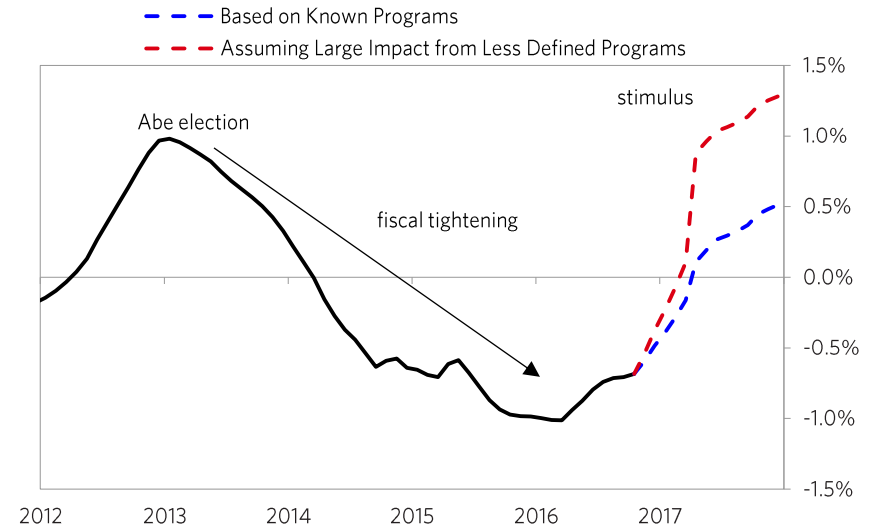


JAPAN: TAKING A STEP TOWARD “MONETARY POLICY 3”

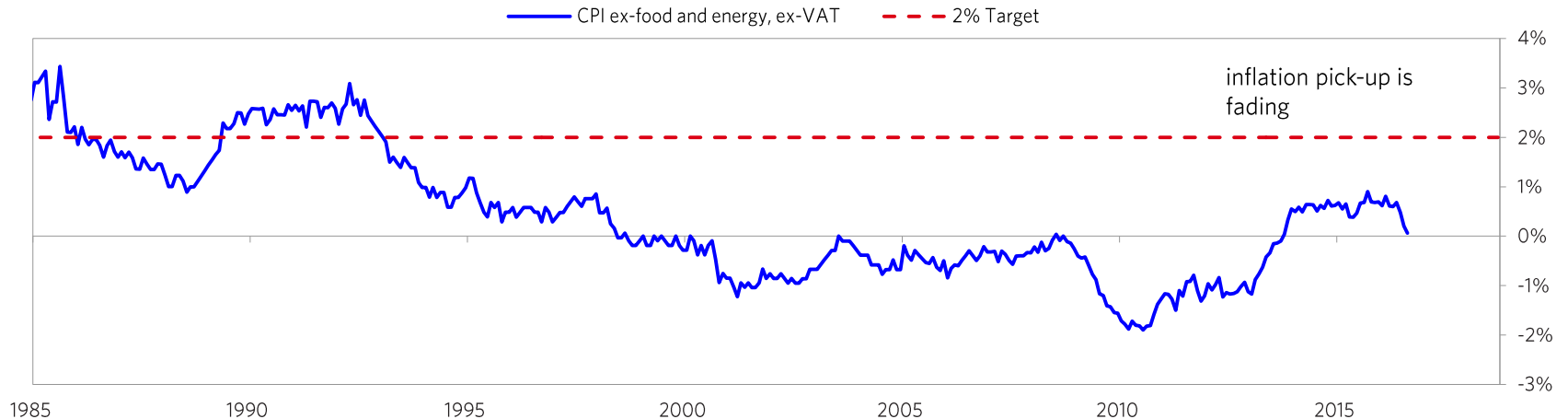
Japan Corporate Cash Holdings (% GDP)



Japan Government Impact on Growth (12m, Ann)

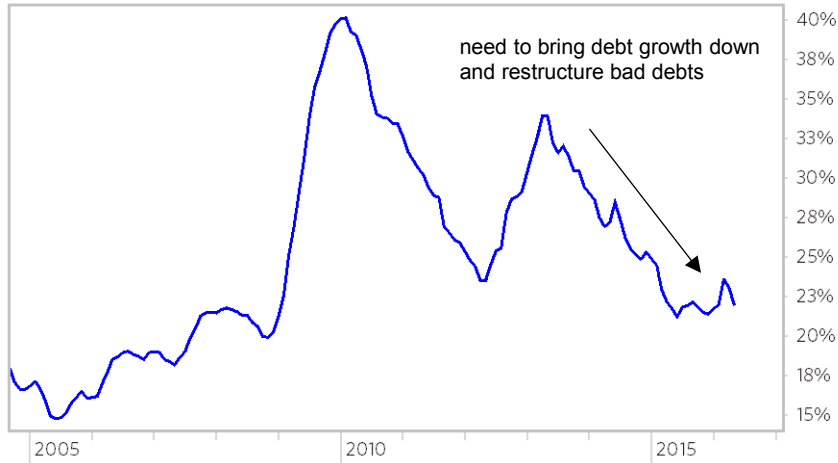


Japan: Core Inflation YoY

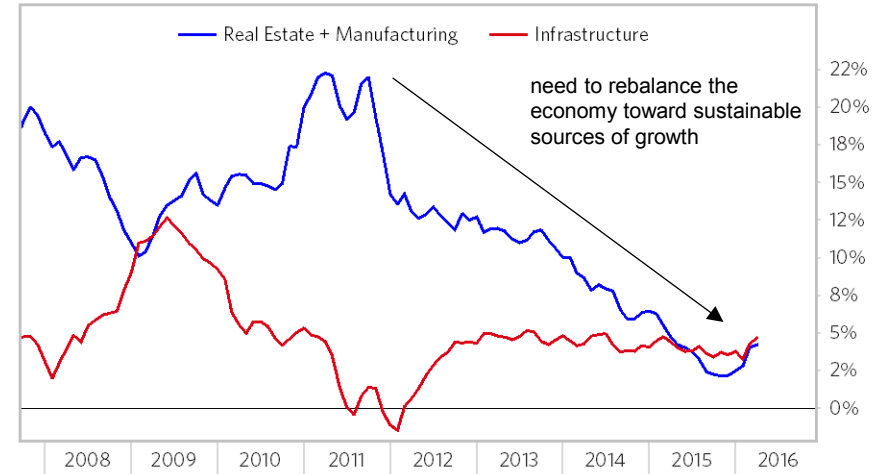


CHINA IS FACING FOUR MASSIVE CHALLENGES

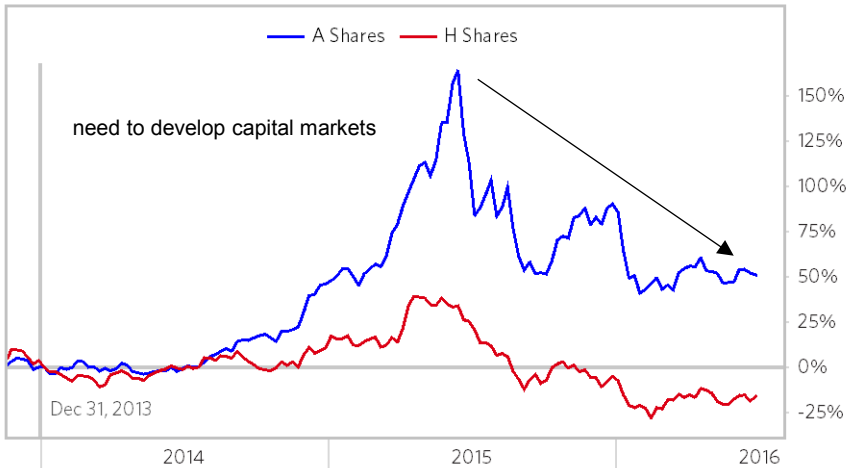
China Credit Growth (%GDP, 12mma)



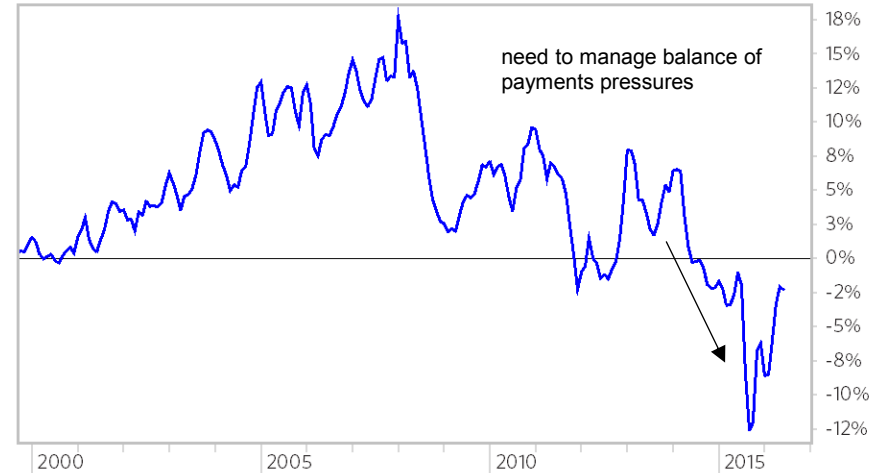
Contribution to Fixed Asset Investment Growth



China Equity Indices (indexed to 2014)

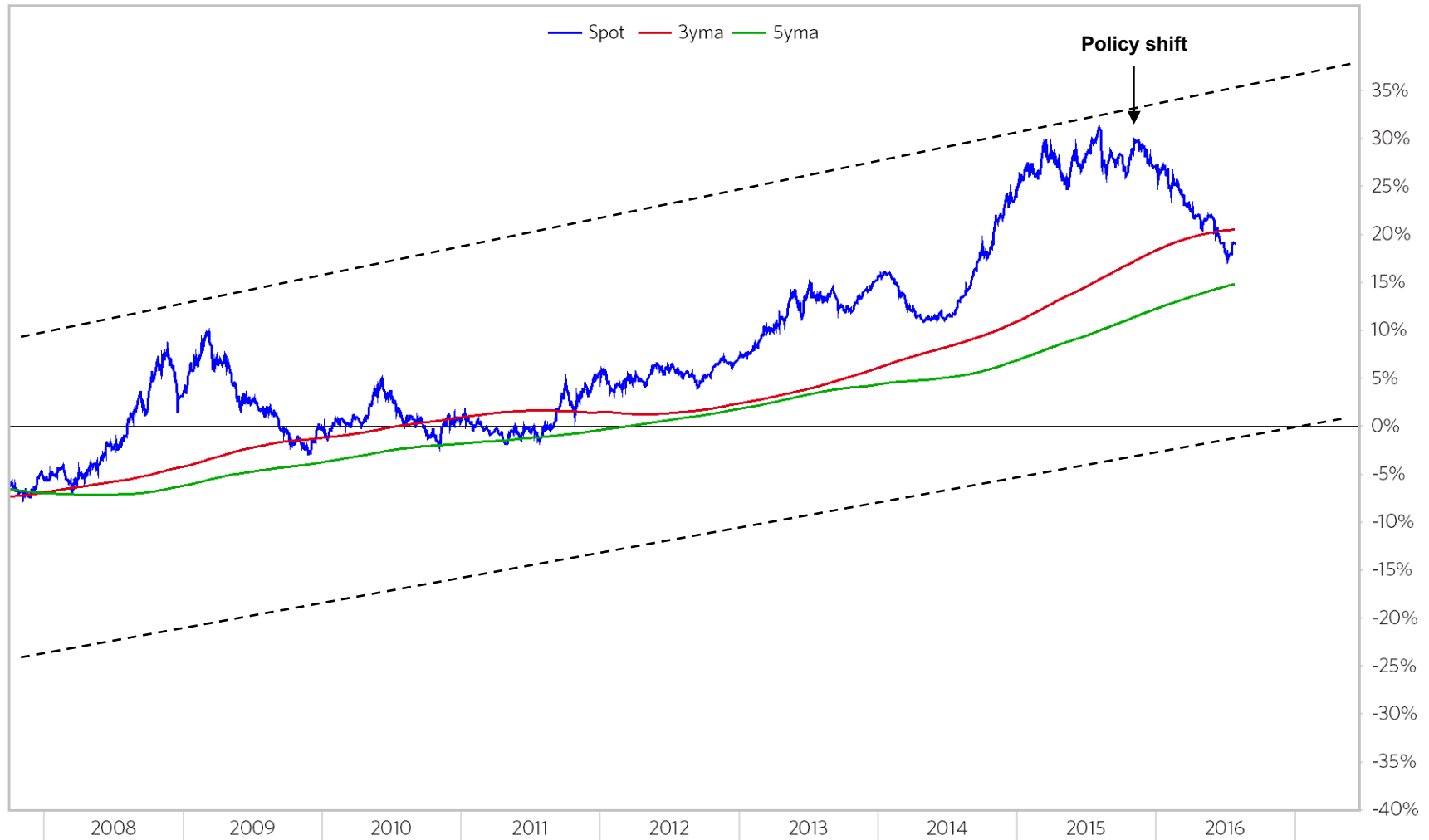


China Reserve Accumulation %GDP



CHINA'S SHIFT TO A MORE INDEPENDENT MONETARY POLICY IS GOOD FOR ECONOMIES AND MARKETS

CNY vs CFETS Basket (indexed to 2010)



IMPORTANT DISCLOSURES

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The information provided herein is not intended to provide a sufficient basis on which to make an investment decision and investment decisions should not be based on simulated, hypothetical or illustrative information that have inherent limitations. Unlike an actual performance record, simulated or hypothetical results do not represent actual trading or the actual costs of management and may have under or over compensated for the impact of certain market risk factors. Bridgewater makes no representation that any account will or is likely to achieve returns similar to those shown. The price and value of the investments referred to in this research and the income therefrom may fluctuate.

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Confidential



PINNACLE ASSET MANAGEMENT, L.P. COMMODITIES & EMERGING MARKETS

PRESENTATION PREPARED EXCLUSIVELY FOR
VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SEPTEMBER 12, 2016

SUMMARY DISCLOSURE TO RECIPIENT*

RISK: All performance data provided is historical and past performance is not indicative of future results. Investments in commodities are speculative and may be subject to substantial leverage, volatility and concentration. Investors risk substantial impairment or total loss of their investment. Investors must consider whether an investment in commodities is suitable for their particular circumstances and seek professional advice from their tax, legal, accounting or other advisors about any investment.

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COMMODITIES QUIZ

TOP COAL PRODUCER?

- Brazil
- China
- Russia
- Mexico
- Chile
- USA
- Saudi Arabia
- South Africa



TOP COAL PRODUCER?

- Brazil
- **China**
- Russia
- Mexico
- Chile
- USA
- Saudi Arabia
- South Africa

China is the world's biggest producer and user of coal.



TOP ALUMINUM PRODUCER?

- Brazil
- China
- Russia
- Mexico
- Chile
- USA
- Saudi Arabia
- South Africa



TOP ALUMINUM PRODUCER?

- Brazil
- **China**
- Russia
- Mexico
- Chile
- USA
- Saudi Arabia
- South Africa

China accounts for approximately 44% of the world's aluminum production.



TOP COFFEE PRODUCER?

- Brazil
- China
- Russia
- Mexico
- Chile
- USA
- Saudi Arabia
- South Africa



TOP COFFEE PRODUCER?

- **Brazil**
- China
- Russia
- Mexico
- Chile
- USA
- Saudi Arabia
- South Africa

Brazil produces approximately one third of the coffee in the world.



TOP COPPER PRODUCER?

- Brazil
- China
- Russia
- Mexico
- Chile
- USA
- Saudi Arabia
- South Africa



TOP COPPER PRODUCER?

- Brazil
- China
- Russia
- Mexico
- **Chile**
- USA
- Saudi Arabia
- South Africa

Chile is the world's top producer with 36% of the global market.



TOP COMMODITIES PRODUCERS



Coal
Aluminum
Gold
Wheat



Coffee
Sugar



Natural Gas
Corn



Nickel
Palladium



Copper



Oil



Platinum

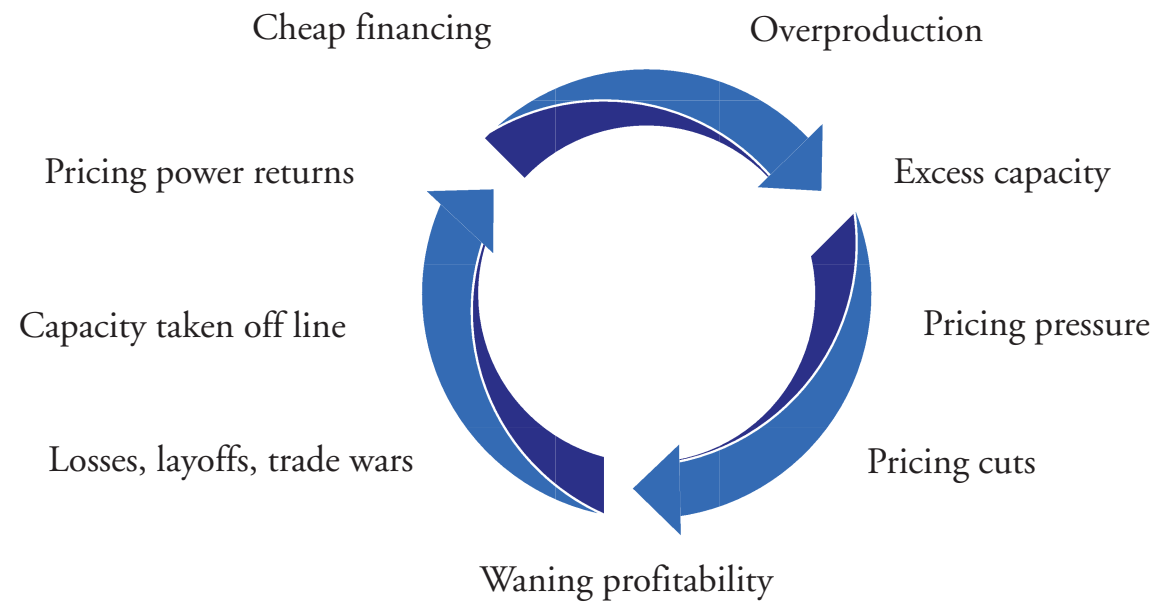


Silver



COMMODITIES & EMERGING MARKETS

THE COMMODITY CYCLE



COMMODITIES & EMERGING MARKETS

Overview

- Emerging market (“EM”) countries are important consumers and producers of commodities.
- The imbalance between these two supply and demand forces (consumption and production) may be the key driver of industrial commodity prices.
- EM countries account for around 70% of global GDP growth as of 2013-2014 (potentially even higher 2015-2016).
- EM FX, interest rates and equities all have a strong correlation with commodity prices.
- The link between EM FX and industrial commodities may be the most significant macro influence on commodity prices currently.

COMMODITIES & EMERGING MARKETS

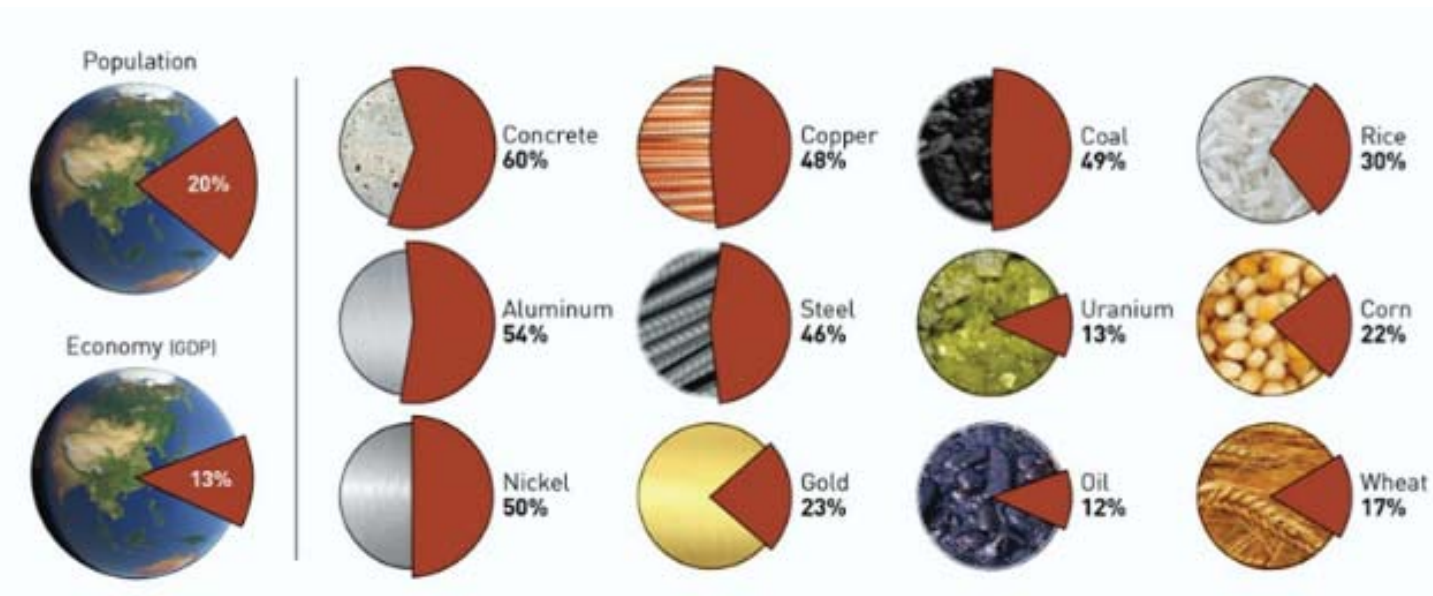
Global Production & Mineral Reserves

- According to the US Geological Survey, EM countries are ranked as follows in terms of mineral reserves:
 - Copper
 - Chile (1st), Peru (3rd), Mexico (4th), China (5th)
 - Zinc
 - Iran (1st, estimate), China (3rd), Peru (4th), Mexico (5th)
 - Nickel
 - Brazil (2nd), New Caledonia (3rd), Russia (4th), Cuba (5th), Indonesia (6th), South Africa (7th), Philippines (8th)
 - Iron Ore
 - Brazil (2nd), Russia (3rd), China (4th), India (5th)

COMMODITIES & EMERGING MARKETS

Chinese Consumption

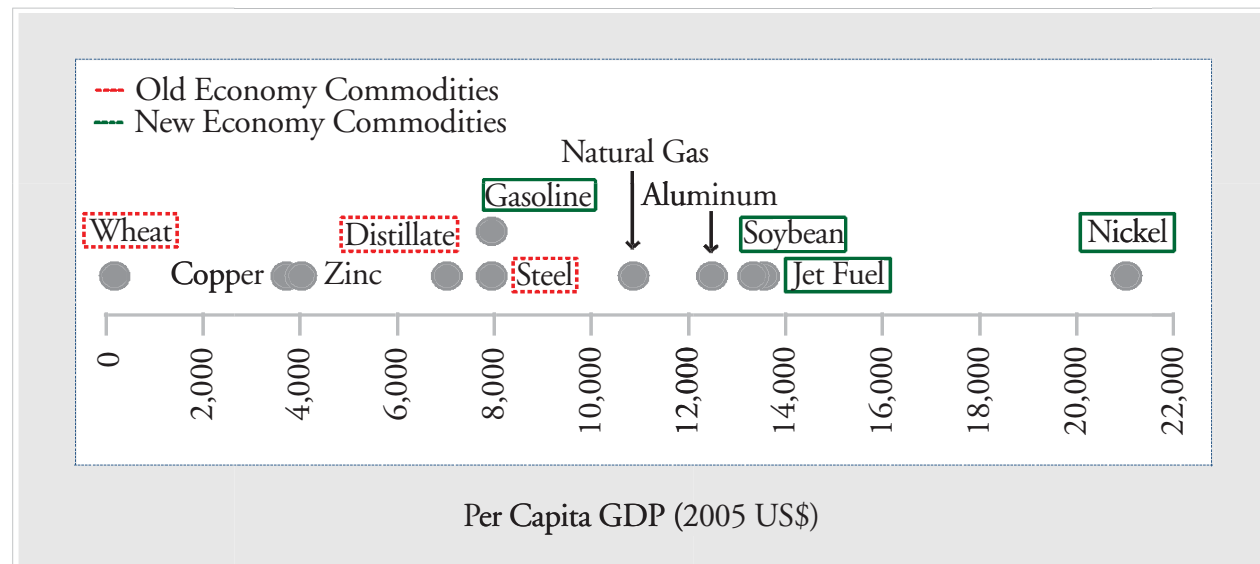
- China is the single largest consumer of all industrial mineral commodities, representing 50% of global consumption in copper, aluminum, iron ore, zinc, and nickel.
- China accounts for as much as 100% of global growth in industrial commodities over the past ten years at the expense of other consumers of primary materials.
- Slowing Chinese growth may continue to cause issues for commodity producers.



COMMODITIES & EMERGING MARKETS

Old vs. New Economy Commodities

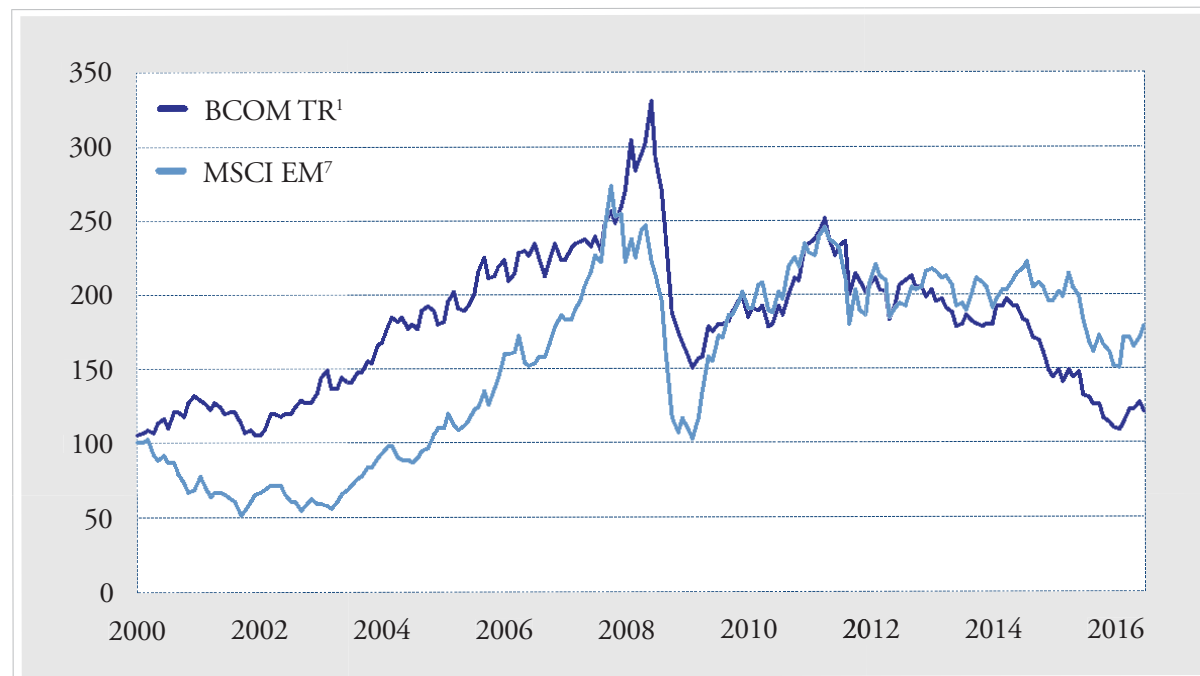
- Emerging economies with newly built, basic infrastructures tend to consume a great deal of steel and cement.
- Advanced economies demand a higher proportion of natural gas and jet fuel.
- Changes in a country's consumption of various commodities reveal shifts in underlying economic activities.
- As GDP increases, certain unique commodities are consumed at a much greater rate.
- The chart below depicts shifts in China's commodity consumption bundle:



COMMODITIES & EMERGING MARKETS

Commodity & Emerging Market Correlation

- EM countries tend to be long commodities although they may sit on both sides (importers/exporters, consumers/producers).
- EM FX and EM Equities have strong correlations to commodity price movements.



Source: Institutional Investor. Bloomberg.

Please refer to the end notes and disclosures at the end of this document for a description of the referenced indices and important disclaimers. MASTER PAGE NO. 610
 Proprietary and Confidential.

COMMODITIES & EMERGING MARKETS

Oil Case Study: Nigerian Supply Disruption

- Assumption: Nigerian production will ramp up slowly into year-end.
- As indicated below, an oil supply recovery this year appears unlikely.
- Low output levels from Nigeria until year-end would likely provide upside to current forecast of oil prices.
- Recent rebel activity led to a large supply disruption in Nigerian oil supply in 2016.
- The current supply loss leading to an unprecedented loss of government revenue.
- Likelihood of an eventual amnesty program with the rebels; but low probability of an oil supply recovery this year given damages to oil infrastructure.

Nigeria Crude Oil Production (KBD)



COMMODITIES & EMERGING MARKETS

Sugar Case Study: Brazil & Market Volatility

- Brazil maintains leading positions in coffee, cocoa, corn, wheat, eucalyptus, beef, and sugar cane production.
- After a five-year bear market, global sugar consumption has surpassed production.
- Brazil has reduced ethanol production to produce more sugar.
- Sugar is a politically sensitive commodity for producers (revenue) and for consumers (inflation). Government interventions to help one or both often increases in overall sugar price volatility.
- Another likely volatile sugar bull market.



COMMODITIES & EMERGING MARKETS

Nickel Case Study: Philippine Regulatory Issues

- Despite vast metals resources, the Philippines has been unattractive to investors over the past 20 years given volatile regulatory environment.
- Current mining code is more investor-friendly relative to past decades.
 - Hefty requirements remain in terms of revenue sharing (up to 55% to government) and on licensing (permits after 25 years have no guarantee of renewal).
 - Foreign investment is allowed (even potentially encouraged).
- However, the Natural Resources Minister has been actively shutting nickel ore mines where there are potential or known environmental impacts.
- The losses from Filipino nickel ore exports to China are being offset in China by:
 - Higher imports of Indonesian ferronickel (and NPI).
 - Slightly lower NPI production onshore.
- Stainless demand dynamics onshore in China are somewhat weak as well.
 - This likely indicates that the tighter supply side is not causing significant distress to the stainless steel and nickel consuming industry.



COMMODITY MARKET UPDATE

HOW HAVE FINANCIAL ASSETS PERFORMED?

	<u>2016 YTD*</u>	<u>2015</u>	<u>3-Year</u>
■ U.S. Large Cap Stocks (S&P 500 TR ²)	7.82%	1.38%	41.64%
■ International Stocks (MSCI EAFE ⁵)	(1.79%)	(3.30%)	(0.69%)
■ Small Cap Stocks (R2000 ⁶)	9.16%	(5.71%)	22.65%
■ Bonds (Barclays AG ³)	5.86%	0.55%	13.70%
■ Commodities (BCOM TR ¹)	5.57%	(24.66%)	(36.35%)

*As of August 2016.

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HOW HAVE COMMODITY MARKETS PERFORMED?

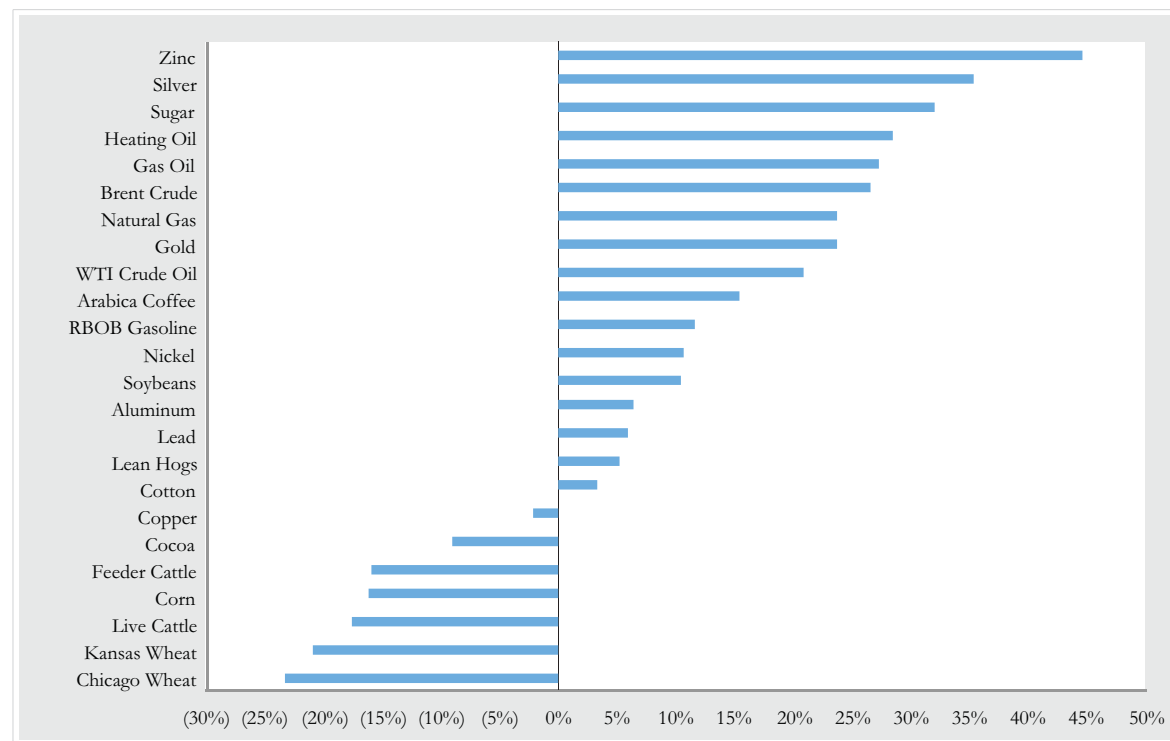
	<u>2016 YTD*</u>	<u>2015</u>	<u>3-Year</u>
Broad Market Commodity Index (BCOM TR ¹)	5.57%	(24.66%)	(36.35%)
■ Energy			
– WTI Crude Oil	20.68%	(30.47%)	(58.48%)
– Natural Gas	23.53%	(19.11%)	(19.38%)
■ Grains			
– Corn	(15.96%)	(9.63%)	(39.09%)
– Kansas Wheat	(20.76%)	(25.22%)	(47.02%)
■ Metals			
– Gold	23.36%	(10.46%)	(6.30%)
– Copper	(2.23%)	(25.78%)	(34.98%)
■ Softs			
– Arabica Coffee	15.15%	(23.95%)	30.15%
– Sugar	31.63%	4.96%	22.77%
■ Livestock			
– Live Cattle	(17.56%)	(18.04%)	(8.76%)
– Lean Hogs	5.10%	(26.35%)	(28.27%)

* As of August 2016. The returns provided refer to generic first futures contracts.

Please refer to the end notes and disclosures at the end of this document for a description of the referenced indices and important disclaimers. **MASTER PAGE NO. 616**

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COMMODITY RETURNS CHART - 2016 YTD*



* As of August 2016. The returns provided refer to generic first futures contracts.
This information is proprietary and confidential.



FINANCIAL COMMODITIES: PRIMARY PLAYERS AND THEIR CURRENT ENVIRONMENT

- CTAs/Macro → Steady/Stressed
- Merchants/Commercials → STRESSED
- Indices → Large losses and fund outflows*
- Discretionary Funds → Attrition of players
- Retail → Lack of enthusiasm
- Banks → Exiting/exited the business
- Allocators → Robust opportunity set

This information is proprietary and confidential.

*The Commodity Futures Trading Commission discontinued its Index Investment Data report, a monthly survey of index-related holdings of certain traders and dealers, on Nov. 25, 2015.

HISTORICAL VOLATILITY

- Volatility hit 10-year lows in the Q3 2014 timeframe.

BCOM TR¹ 10-Year Volatility (260-day): 8/31/06 - 8/31/16

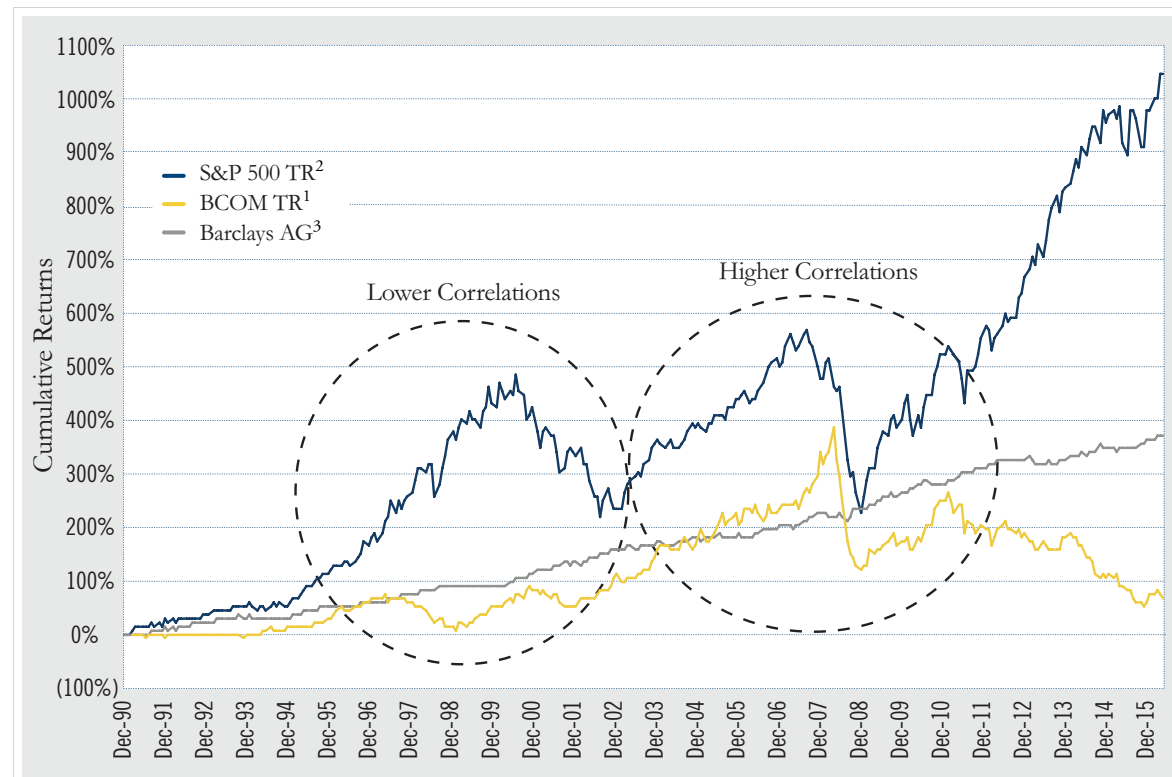


BCOM TR¹ 2-Year Volatility (260-day): 8/31/14 - 8/31/16



COMMODITIES CORRELATION

- While commodities markets are typically considered less correlated to traditional asset classes, thus offering diversification benefits, higher correlation levels have been exhibited during certain market cycles.



*Source: data obtained from Bloomberg. Please refer to the end notes and disclosures at the end of this document for a description of the referenced indices and important disclaimers.

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UNDERLYING MARKET CORRELATIONS

PERIOD February 1991 to August 2016*	Grains	Industrial Metals	Livestock	Natural Gas	Petroleum	Precious Metals	Softs
Grains	1.00						
Industrial Metals	0.25	1.00					
Livestock	0.03	0.07	1.00				
Natural Gas	0.13	0.08	0.05	1.00			
Petroleum	0.18	0.33	0.10	0.38	1.00		
Precious Metals	0.23	0.35	(0.01)	0.09	0.19	1.00	
Softs	0.35	0.32	(0.04)	0.07	0.17	0.26	1.00

Source: Data obtained from BCOM TR¹ sub-commodity indices.
 Correlation calculated using PerTrac2000 SE System.
 This information is proprietary and confidential.

OIL - MARKET OUTLOOK

“Bear Perspective”*

- Macroeconomic conditions remain challenging.
- Global oversupply - U.S. crude stocks are +15% year-over-year; OPEC has maintained its output policy; and concerns about unplanned oil supply outages are starting to fade.
- 2017 global demand is projected to slow to 1.2MM bpd (from 1.4MM bpd in 2016).
- Although down year-over-year, U.S. oil-drilling rigs are increasing (a total of 406 in August vs. 374 in July).
- Refinery processing rates are likely to be lower in Q3 2016.

“Bull Perspective”*

- Talks of a major oil producer freeze on output levels continue, boosting market sentiment.
- U.S. crude inventories are not high relative to their historical average in bearish periods.
- The market should balance eventually with supply adjusting more quickly.
- Central banks around the world have pledged more stimulus to prop up economies.

One-Year WTI Crude Oil Price Movement (Aug-16)



*Sources include underlying manager perspectives and may include Bloomberg, Reuters, The Wall Street Journal, Financial Times and other sources.
 This information is proprietary and confidential.

COPPER - MARKET OUTLOOK

“Bear Perspective”*

- Concerns over the Chinese economy and global growth.
- Concerns about the sustainability of Chinese copper imports in H2 2016 as a result of a slowdown of momentum within its macroeconomy.
- Expectations of strong supply growth in 2016-17 as mine projects are completed.
- Rising stocks at LME warehouses raising fears that demand in China could be weakening.
- Forecasts that copper will remain in surplus through at least 2020.

“Bull Perspective”*

- Expectations of more Chinese economic stimulus and improving manufacturing sector.
- Despite softer July data, Chinese copper imports remain robust. Year-over-year growth at 3-5%.
- Citi expects a jump in Chinese power infrastructure demand, new housing sales, and a drop in housing inventory to boost 2016 copper demand growth to 3%.
- Subdued prices will lead to CAPEX declines; China’s largest copper producers plan to cut copper output by 6.7% in 2016.
- YTD copper supply disruptions total ~269kt. Potential strikes at mines in Chile and El Salvador could stabilize copper prices.

One-Year Copper Price Movement (Aug-16)



*Sources include underlying manager perspectives and may include Bloomberg, Reuters, The Wall Street Journal, Financial Times and other sources.
 This information is proprietary and confidential.

PGM - MARKET OUTLOOK

“Bear Perspective”*

- The potential for further demand erosion of diesel vehicles following Clean Air Act violations by Volkswagen. Autocatalysts for diesel cars account for 40% of platinum demand.
- Speculation that there are enough PGM stocks above ground around the world to prevent any acute tightening in the market.
- The increasing adoption of electric vehicles could damage the long-term demand outlook.
- Increasing PGM recycling can be a threat to prices.

“Bull Perspective”*

- Palladium and platinum markets remain in technical supply deficit.
- Improved Chinese car sales, growing autocatalyst demand, the resumption of U.S. Mint sales of platinum coins in July, and news that the Mint is in negotiations to develop a first-ever palladium coin program.
- Wage negotiations and potential mine strikes in South Africa are supportive of PGM prices.
- Long term, PGMs underpinned by tighter emissions standards and reduced CAPEX.
- Increasing demand from fuel-cell and gasoline vehicles benefit platinum and palladium, respectively.

One-Year Palladium Price Movement (Aug-16)



One-Year Platinum Price Movement (Aug-16)



CORN - MARKET OUTLOOK

“Bear Perspective”*

- Favorable growing weather this summer in the U.S. raising forecasts of 2016-17 corn production and ending stocks.
- U.S. corn supplies for 2016/17 are projected at a record 16.9 billion bushels, up 1.5 billion from the prior year with the larger crop and small increases in beginning stocks and imports.
- China's grain stockpiles loom as a risk. Estimates of the size of China's corn stockpile estimates range from 150-250 million tons – a release could impact prices.
- Fears of dry La Niña weather pattern ease.

“Bull Perspective”*

- Brazil is struggling with a severe corn shortage after a plunge in the Real encouraged selling and a severe drought wrought damage to the latest harvest.
- Expectations of U.S. corn supplies tightening due to rising exports.
- Corn prices may be bottoming out - as the weather premium has vanished, there is limited downside risk in corn price from current levels.
- The USDA predicts the U.S. ethanol industry will digest 5.275bn bushels of corn this year, the most ever and 35% of the domestic harvest.
- The USDA expects that net cash farm income would fall in 2016 for a 3rd consecutive year. Lower prices may have a negative impact on future supply as producers reduce planted acreage.

One-Year Corn Price Movement (Aug-16)



*Sources include underlying manager perspectives and may include Bloomberg, Reuters, The Wall Street Journal, Financial Times and other sources.
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LIVE CATTLE - MARKET OUTLOOK

“Bear Perspective”*

- Total cattle on feed on August 1 was up 1.63% from previous year.
- Beef demand often seeing a downturn after the end of the summer barbecue season.
- Cattle slaughter so far in 2016 is at 20.00m head, up 4.3% year-over-year.
- The U.S. and Brazil agreed to drop fresh beef export bans, raising expectations of a boost in Brazilian imports.
- Supplies of alternative meats are also strong - hog slaughter up by 3% year-over-year.

“Bull Perspective”*

- U.S. cattle imports have declined 10% from 2015 levels.
- Cattle futures may see some strength as wholesale prices have firmed and futures have a significant discount to the cash market.
- USDA expects global beef demand to strengthen along with a pickup in global economic growth. U.S. beef exports are forecast to rise to \$5.3 billion (0.8 million tons) in FY 2017.
- USDA states that May beef export volume increased 12% from a year ago.
- Prolonged losses may discourage feedlots from purchasing cattle - limiting supplies.

One-Year Live Cattle Price Movement (Aug-16)



*Sources include underlying manager perspectives and may include Bloomberg, Reuters, The Wall Street Journal, Financial Times and other sources.
This information is proprietary and confidential.

SUGAR - MARKET OUTLOOK

“Bear Perspective”*

- Estimates for global sugar deficit in 2016-2017 season are narrowing.
- Forecast for Brazilian sugar production lifted by 2.32MM MT, citing dry weather and the large amount of cane left over from last season.
- Higher sugar prices are incentivizing millers to convert more cane to sugar. The shift could add as much as 2MM MT to Brazil’s sugar output for next year.
- The Trans-Pacific Partnership has loosened a quota system that protects U.S. suppliers while making sugar more expensive for consumers.

“Bull Perspective”*

- Expectations of a global deficit for 2015-2016, the first in six years.
- El Niño drought conditions are set to cut Thailand’s 2016/17 sugar output.
- Strong physical demand from China is pushing up prices on the world market.
- India will impose a limit on the amount of sugar that mills can hold as the government tries to keep prices under check ahead of key festivals when demand rises.

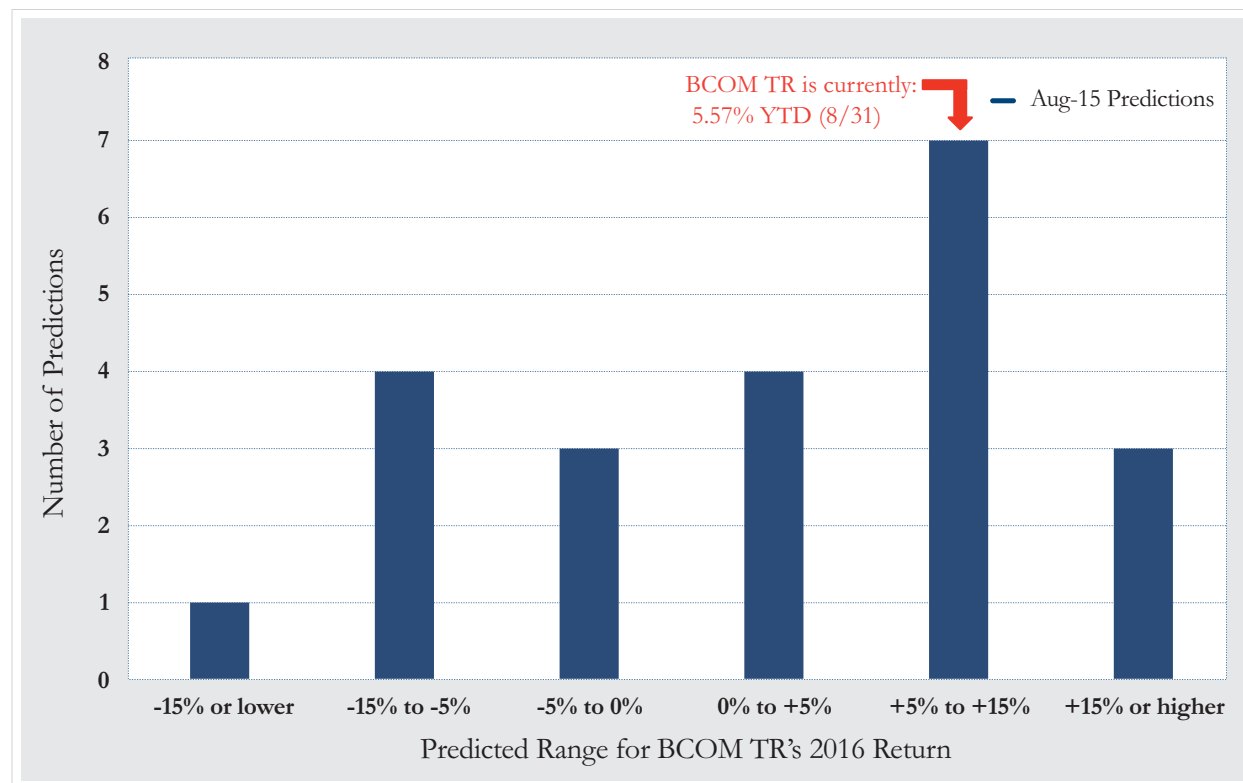
One-Year Sugar Price Movement (Aug-16)



*Sources include underlying manager perspectives and may include Bloomberg, Reuters, The Wall Street Journal, Financial Times and other sources.
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BCOM TR¹ 2016 RETURN PREDICTION

- A market survey conducted by Pinnacle of 20+ commodity traders in August 2015 regarding 2016 commodity performance (as tracked by the BCOM TR¹) yielded the range of predictions below.



2016 COMMODITY TAKEAWAYS

- We believe the global commodity “cycle” is working (commodities do not always go “down”) - timing varies by commodity.
- There is a difference between a beta long vs. a fundamental long.
- “CPI” inflation is not needed for commodity price appreciation.
- China: deceleration or permanent slow down?
- Asset acquisition in a down market and unlocking value.
- Taking risk for the potential of reaping rewards.



END NOTES

1. The Bloomberg Commodity Index Total Return (“BCOM TR”) (formerly known as the Dow Jones-UBS Commodity Total Return Index) is composed of futures contracts and reflects the returns on a fully collateralized investment in the Bloomberg Commodity Index (“BCOM”). This combines the returns of the BCOM with the returns on cash collateral invested in 13 week (3 Month) U.S. Treasury Bills. BCOM is calculated on an excess return basis and composed of futures contracts on 22 physical commodities. It reflects the return of underlying commodity futures price movements.
2. The S&P 500 Total Return Index (“S&P 500 TR”) is an unmanaged index consisting of 500 U.S. stocks chosen for market size, liquidity and industry group representation, with each stock’s weight in the index being proportionate to its market value. It is an unmanaged market-value weighted index (stock price times number of shares outstanding), with each stock’s weight in the index being proportionate to its market value. It is one of the most widely used benchmarks of U.S. equity performance. S&P 500 TR returns include the reinvestment of dividends.
3. The Barclays Capital U.S. Aggregate Bond Index (“Barclays AG”) is an unmanaged index comprised of U.S. investment grade, fixed rate bond market securities, including government, government agency, corporate and mortgage-backed securities with maturities between one and ten years or greater.
4. The HFRX Macro: Commodity Index (“HFRX COM”) is designed to be representative of the overall composition of the core commodities markets as identified by a proprietary methodology developed by Hedge Fund Research. It is comprised of 5-10 eligible single hedge fund managers at any given time that are open to investment and that actively trade both multi- and single-commodity strategies. Commodities strategies include both discretionary and systematic commodity strategies. The index’s track record commenced in January 2005, and it is evaluated and rebalanced on a quarterly basis.
5. The MSCI EAFE Index (“MSCI EAFE”) is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers developed market countries in Europe, Australasia, and the Far East, as well as Israel.
6. The Russell 2000 Index (“R2000”) is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 85 of the Russell 3000 total market capitalization. The index was developed with a base value of 135.00 as of December 31, 1986.
7. The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.



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Tuesday, November 8

		Golf Tournament Contact Crystal Stockey, StepStone Group for sponsorship opportunities and to register. cstockey@stepstoneglobal.com
3:00 PM	6:30 PM	SACRS Registration
3:00 PM	5:00 PM	New Trustee Training & Advanced Trustee Training Combo SACRS members will participate in an interactive game where they will allocate across asset classes to maximize for Sharpe Ratio and hit required rate of return. Speaker: JP Morgan
3:00 PM	5:00 PM	Disability/Ops Breakout
5:30 PM	6:30 PM	SACRS Welcome Reception

Wednesday, November 9

6:45 AM	7:45 AM	SACRS Yoga Want to impress your benefits manager when you go back to the office? Participate in the SACRS Wellness Sessions! Yoga with SACRS is open to all levels, from beginner to expert. Although yoga poses are physical exercise, they have the added benefit of bringing great balance to the mind, body and spirit. A morning yoga session is a great way to energize before our busy conference day. <i>*Professional Yoga instructor will lead class, no fee to participate for conference attendees & guests, preregistration required, towels and water will be available, and all participants must submit a waiver prior to class.</i>
7:30 AM	8:30 AM	SACRS Breakfast
7:30 AM	6:00 PM	SACRS Registration
8:30 AM	9:00 AM	General Session Welcome & Awards
9:00 AM	10:00 AM	General Session Keynote 2016 Elections
10:00 AM	10:30 AM	SACRS Networking Break
10:30 AM	11:30 AM	General Session - Implications for Private Markets Speaker: David Rubenstein, The Carlyle Group
11:35 AM	12:35 AM	General Session TBA
12:40 PM	1:50 PM	SACRS Lunch
2:00 PM	3:00 PM	General Session - Outside the Box: The Power of Diversity The Diversity Panel will address the impact that diversity in the boardroom has in the context of investing, fund performance and corporate governance. Speakers: Rosie Rios, 43 rd U. S. Treasurer, Betty Tse, Alameda CERA
3:15 PM	5:00 PM	Administrators Breakout
3:15 PM	5:00 PM	Affiliate Breakout
3:15 PM	5:00 PM	Attorney Breakout
3:15 PM	5:00 PM	Disability Breakout

*This is a preliminary agenda, please check SACRS.ORG for updates to the agenda for updates.



3:15 PM	5:00 PM	Accounting/Internal Auditors Breakout
3:15 PM	5:00 PM	Investment Breakout
3:15 PM	5:00 PM	Ops/Benefit Breakout
3:15 PM	5:00 PM	Safety Breakout
3:15 PM	5:00 PM	Trustee Breakout
4:30 PM	5:30 PM	SACRS Legislative Committee Meeting
6:00 PM	10:00 PM	Annual Wednesday Evening Event Location: TBA

Thursday, November 10

6:45 AM	7:45 AM	<p>SACRS 5K Fun Run/Walk</p> <p>Don't miss SACRS 5K Fun Run/Walk! Enjoy the cool Indian Wells morning with an invigorating walk, jog or run with fellow SACRS conference attendees along an easy 5K (3.1 miles) course. The 5K Fun Run/Walk is a great way for SACRS conference attendees and guests to come together and get moving before the day's educational sessions. All participants receive a SACRS Fun Run/Walk T-Shirt, water and a snack at the end of the Run/Walk.</p> <p><i>*Registration is \$10 per person, the course is flat and paved, direction signs will be along course along with pocket maps, pre-registration required, and all participants must submit a waiver prior to Run/Walk.</i></p>
7:30 AM	8:30 AM	SACRS Breakfast
7:30 AM	6:00 PM	SACRS Registration
8:30 AM	9:00 AM	<p>General Session</p> <p>Welcome and Veterans Honor</p>
9:00 AM	10:00 AM	<p>General Session – Keynote</p> <p>Speaker: Cliff Asness, AQR</p>
10:00 AM	10:30 AM	SACRS Networking Break
10:35 AM	11:35 AM	<p>General Session - Transportation</p> <p>Speakers: TBA</p>
11:40 AM	12:40 PM	<p>General Session – Annual System Comparison</p> <p>Speaker: Becky Gratsinger, RVK</p>
12:40 PM	1:50 PM	SACRS Lunch
2:00 PM	3:00 PM	<p>General Session</p> <p>TBA</p>
3:15 PM	4:15 PM	<p>Concurrent Session A - The Cost of Fiduciary Business</p> <p>Monitoring and controlling costs is a primary fiduciary responsibility for all funds and trusts. In this survey, Callan compares the costs of administering and operating funds and trusts across all types of tax-exempt and tax-qualified organizations in the U.S. We identify practices and trends to help institutional investors manage expenses.</p> <p>Speakers: Callan</p>
3:15 PM	4:15 PM	<p>Concurrent Session B - Compliance</p> <p>Speaker: TBA</p>

*This is a preliminary agenda, please check SACRS.ORG for updates to the agenda for updates.



3:15 PM	4:15 PM	Concurrent Session C Speaker: Shawna Ferguson, Global Diversity and Inclusion
4:15 PM	4:45 PM	SACRS Network Break
4:45 PM	5:45 PM	Concurrent Session A – SACRS 2016 Legislative Update Speakers: Richard Stensrud, Sacramento CERA, Jim Lites, SACRS Consultant, Trent Smith & Mike Robson, SACRS Lobbyist
4:45 PM	5:45 PM	Concurrent Session B - Disability Speaker: TBA
4:45 PM	5:45 PM	Concurrent Session C Speaker: Shawna Ferguson, Global Diversity and Inclusion
4:30 PM	5:30 PM	Education Committee Meeting
6:00 PM	7:00 PM	SACRS Reception

Friday, November 11

7:30 AM	8:30 AM	SACRS Breakfast
8:30 AM	9:30 AM	General Session Speaker: TBA
9:30 AM	9:45 AM	SACRS Break
9:45 AM	Upon Adj	SACRS Business Meeting
Upon Adj	Upon Adj	SACRS BOD

*This is a preliminary agenda, please check SACRS.ORG for updates to the agenda for updates.

Buttonwood | False hope

Most trading strategies are not tested rigorously enough

LET me tell you about the perfect investment offer. Each week you will receive a share recommendation from a fund manager, telling you whether the stock's price will rise or fall over the next week. After ten weeks, if all the recommendations are proved right, then you should be more than willing to hand over your money for investment. After all, there will be just a one-in-a-thousand chance that the result is down to luck.

Alas, this is a well-known scam. The promoter sends out 100,000 e-mails, picking a stock at random. Half the recipients are told that the stock will rise; half that it will fall. After the first week, the 50,000 who received the successful recommendation will get a second e-mail; those that received the wrong information will be dropped from the list. And so on for ten weeks. At the end of the period, just by the law of averages, there should be 98 punters convinced of the manager's genius and ready to entrust their savings.

As a paper* published last year in the *Journal of Portfolio Management* argued, this is a classic example of the misuse of statistics. Conduct enough tests on a bunch of data—run through half a million genetic sequences to find a link with a disease, for example—and there will be many sequences that appear meaningful. But most will be the result of chance.

This is a problem that has dogged scientists across many disciplines. There is a natural bias in favour of reporting statistically significant results—that a drug cures a disease, for example, or that a chemical causes cancer. Such results are more likely to be published in academic journals and to make the newspaper headlines. But when other scientists try to replicate the results, the link disappears because the initial result was a random outlier. The debunking studies, naturally, tend to be less



well reported.

Faced with this problem, scientists have turned to tougher statistical tests. When searching for a subatomic particle called the Higgs Boson, they decided that to prove its existence, the results had to be five standard deviations from normal—a one-in-3.5-million chance.

Financial research is highly prone to statistical distortion. Academics have the choice of many thousands of stocks, bonds and currencies being traded across dozens of countries, complete with decades' worth of daily price data. They can back-test thousands of correlations to find a few that appear to offer profitable strategies.

The paper points out that most financial research applies a two-standard-deviation (or "two sigma" in the jargon) test to see if the results are statistically significant. This is not rigorous enough.

One way round this problem is to use "out-of-sample" testing. If you have 20 years of data, then split them in half. If a strategy works in the first half of the data, see if it also does so in the second out-of-sample period. If not, it is probably a fluke.

The problem with out-of-sample test-

ing is that researchers know what happened in the past, and may have designed their strategies accordingly: consciously avoiding bank stocks in 2007 and 2008, for example. In addition, slicing up the data means fewer observations, making it more difficult to discover relationships that are truly statistically significant.

Campbell Harvey, one of the report's authors, says that the only true out-of-sample approach is to ignore the past and see whether the strategy works in future. But few investors or fund managers have the required patience. They want a winning strategy now, not in five years' time.

The authors' conclusions are stark. "Most of the empirical research in finance, whether published in academic journals or put into production as an active trading strategy by an investment manager, is likely false. This implies that half the financial products (promising outperformance) that companies are selling to clients are false."

For the academics, the lesson is simple. Much more rigorous analysis will be needed in future to reduce the number of "false positives" in the data. As for clients of the investment industry, they need to be much more sceptical about the brilliant trading strategies that fund managers try to sell them.

All this will leave many readers wondering how to invest their savings. That's fine. Buttonwood has an investment strategy that is sure to boost your wealth. Just send your e-mail address and a stock tip will arrive every month...

* "Evaluating Trading Strategies" by Campbell Harvey of Duke University and Yan Liu of Texas A&M University, *Journal of Portfolio Management*, 40th anniversary issue <http://www.ijournals.com/doi/abs/10.3905/jpm.2014.40.5.108>

TRUSTEES' ROUNDTABLE

Friday, September 30, 2016
Marriott Burbank Airport,
2500 N Hollywood Way, Burbank, CA

AGENDA

- 8:30 a.m. Registration & Continental Breakfast
- 9:00 a.m. Welcome & Introductions
Name, Organization, Appointed/Elected, Year(s) in the position.
- 9:15 a.m. Trustee Roundtable Discussion – Open Forum!
Any topic that piques your interest as it relates to your plan.
- 10:30 a.m. Break
- 10:40 a.m. Plan Governance – You Can Look BUT Don't Touch! (Speaker TBA)
- 12:00 p.m. Lunch Buffet – Trustees' Operating Environment – Who is Holding Whom Hostage? (Speaker TBA)
- 1:15 p.m. Working With the Plan's Staff – (Speaker TBA)
- 2:30 p.m. Trustee Roundtable Discussion – Wrap UP!
Review of an issue as it relates to your plan.
- 3:00 p.m. Select chair (or co-chairs) for next Roundtable
- 3:30 p.m. Adjourn

Mark your calendar for the next CALAPRS Trustees' Roundtable in February 2017 in Northern California.



**MERCED COUNTY
EMPLOYEES' RETIREMENT
ASSOCIATION**

Telephone 209-726-2724
Fax 209-725-3637
Email: mcera@co.merced.ca.us

**3199 "M" Street
Merced, California 95348**

August 25, 2016

Governor Jerry Brown
c/o State Capitol, Suite 1173
Sacramento, CA 95814

RE: Opposition to Assembly Bill No. 1853

Dear Governor Brown:

The Merced County Employees' Retirement Association (MCERA) Board of Retirement writes to express our non-support of Assembly Bill No. 1853.

MCERA is a retirement system (Plan) organized under the County Employees Retirement Law of 1937 (CERL) by the Merced County Board of Supervisors (Plan Sponsor). This Assembly Bill would authorize any retirement system under CERL to unilaterally form a separate independent district by a simple vote by the Board of Retirement and assume specified responsibilities. These responsibilities would include added administrative costs that the MCERA Board of Retirement considers fiscally imprudent and thus conflicts with MCERA's fiduciary duties. It is also believed that the majority of labor unions and California State Association of Counties (CSAC) do not support this Bill. Finally, MCERA contends that passage of this Bill will create a divisive relationship between the Plan and the Plan Sponsor.

Responsible solutions should continue to be explored to identify and address more cost effective and efficient operational aspects of public sector retirement Plans. CERL Plans seeking to be a separate independent district should explicitly be included in the current legislative statute along with the existing separate district Plans. MCERA believes, however, that the current formulation of AB 1853 would only present additional legal and administrative challenges to CERL Plans, but provide no real benefit.

Sincerely,

MERCED COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

BY 
Darlene Ingersoll, Chair
MCERA Board of Retirement

cc: California County Employees' Retirement Systems ✓
Assembly Member Cooper

RECEIVED

SEP 01 2016

VENTURA COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

1 of 1

MASTER PAGE NO. 638

INTERMEDIATE COURSE
in Retirement Plan Administration

MARRIOTT BURBANK AIRPORT | 2500 N HOLLYWOOD WAY, BURBANK, CA 91505

FIRST DAY AGENDA
WEDNESDAY, OCTOBER 5, 2016

12 NOON	BUFFET LUNCH FOR ALL PARTICIPANTS
1:00 – 1:30 PM	WELCOME AND INTRODUCTION
1:30 – 4:00 PM	RETIREMENT BENEFITS <i>Speaker: Christie Porter, Chief Operating Officer San Bernardino County Employees' Retirement Association</i>
4:00 – 4:30 PM	NETWORKING BREAK
4:30 – 5:30 PM	CASE STUDY - MIXER <i>Hosted by the California Association of Public Retirement Systems (CalAPRS)</i>

SECOND DAY AGENDA
THURSDAY, OCTOBER 6, 2016

7:30 AM	BUFFET BREAKFAST
8:15 – 8:30 AM	FOLLOW-UP QUESTIONS & COMMENTS FROM PREVIOUS DAY
8:30 – 10:15 AM	RETIREMENT PLAN ADMINISTRATION <i>Speaker: Lita Payne, Assistant General Manager Los Angeles City Employees' Retirement System</i>
10:15 – 10:30 AM	NETWORKING BREAK
10:30 – 12 Noon	PENSION FUNDING & ACTUARIAL VALUATION <i>Speaker: David Holland, Consulting Actuary, Cheiron, FSA/EA</i>
12 Noon – 1:00 PM	LUNCH – NETWORKING OPPORTUNITY
1:00 – 1:30 PM	FOLLOW-UP QUESTIONS & COMMENTS FROM MORNING DISCUSSIONS
1:30 – 2:45 PM	INVESTMENT ISSUES (ASSETS) <i>Speaker: Donald Pierce, Chief Investment Officer San Bernardino County Employees' Retirement Association</i>
2:45 – 3:00 PM	NETWORKING BREAK
3:00 – 4:30 PM	FIDUCIARY DUTY <i>Speaker: Thomas Webster, Deputy Director (Retired) San Jose Police And Fire/Federated City Employees Retirement System</i>

THIRD DAY AGENDA
FRIDAY, OCTOBER 7, 2016

7:30 AM	BUFFET BREAKFAST
8:30 – 9:00 AM	FOLLOW-UP QUESTIONS AND COMMENTS FROM PREVIOUS DAY'S DISCUSSIONS
9:00 – 12:00 AM	GROUP BREAKOUT <ul style="list-style-type: none"> ➤ Groups will rejoin and discuss answers to the case study presented at the Mixer keeping in mind the impact of lessons learned in the various sessions. ➤ Open Forum ➤ Questions ➤ Overall Course Evaluation ➤ Presentation of Certificates
12:00 – 1:00	NETWORKING LUNCH
1:00 PM	COURSE CONCLUDES

BETWEEN A ROCK AND A HARD PLACE – P & I

DISMAL RETURNS, POOR PROJECTIONS PUSH PUBLIC PLANS TO PARE INVESTMENT GAIN EXPECTATIONS

By Randy Diamond

Allan Emkin said the next decade won't replicate historical returns.

As public pension plans disclose a second consecutive fiscal year of lackluster returns, amid projections of diminished investment earnings for the next decade, more public asset owners will have little choice but to lower rate of return expectations, consultants and analysts said.

U.S. public pension plans earned a median return of 1.07% in the fiscal year ended June 30, according to the Wilshire Trust Universe Comparison Service, worse than the median 3.43% in the prior fiscal year. It is the second year in a row that returns were nearly flat and well below the yearly 7.5% return target of many plans.

"I think they have to lower their rate of return; and if you look at the trend, that is what has, in fact, been happening," said Allan Emkin, whose firm, [Pension Consulting Alliance](#), consults for some of the largest defined benefit plans in the U.S., including the \$303.3 billion [California Public Employees' Retirement System](#) and the \$188.7 billion [California State Teachers' Retirement System](#).

"There are unprecedented headwinds: the lowest historic rates of return in the bond market, and risk assets are all fully priced," said Mr. Emkin, co-founder and managing director at PCA in Los Angeles.

"It's really difficult to see how historic rates of return will be replicated in the next 10 years," he said.

The investment performance of the past 30 years reflected a "golden era" that won't likely be repeated, said Sree Ramaswamy, a Washington-based senior fellow at the McKinsey Global Institute. He projects that total returns for U.S. equities over the next 20 years could average 4% to 5%, because of slowing GDP growth and increased competition from abroad, roughly 250 basis points below the average from 1985 to 2014.

One challenge for pension plans is the assumed inflation rate, which is factored into expected rates of return, and the question of whether plans have reduced those assumptions enough to account for what economists believe will be a long-term, low-rate inflation environment. Another issue: Most public pension plans are paying out more in benefits than they take in from contributions and investment income in a given year, meaning they have to sell assets to pay retirees, a problematic answer when markets are struggling.

In any case, lowering return assumptions can have big implications. It increases the unfunded liabilities of U.S. public pension plans, a figure that the Federal Reserve says increased to \$1.7

trillion in calendar year 2015, from \$1.4 trillion in 2014 and \$354 billion in 2005. As a result, governmental units must make larger pension contributions.

Florida Retirement

One pension system that is considering lowering its rate of return is the \$141.4 billion Florida Retirement System, Tallahassee, which earned a return of 0.61% in the fiscal year ended June 30.

“Obviously the persistent low interest rate environment we have been in has depressed returns and likely will continue to do so,” said Dennis MacKee, director of communications for the [Florida State Board of Administration](#), which oversees the fund. Mr. MacKee said the SBA would likely be supportive of a reduction in the system's 7.65% assumed rate of return. The actual rate, he said, is set by the Actuarial Assumption Conference, a government body that meets each fall and evaluates adjusting the rate of return.

Dick Ingram, the executive director of the \$43.8 billion [Illinois Teachers' Retirement System](#), Springfield, is still waiting for a calculation of the fund's June 30 fiscal year returns but noted, “It wasn't a lights-out year for anyone.”

Mr. Ingram said a review of the system's rate of return should be completed by spring. He said he didn't want to prejudge what will ultimately be a retirement system board decision but did say, “Certainly there's plenty of evidence that we're in a protracted low-return environment.”

The largest public pension plan to lower its assumption in the last 12 months is the \$181 billion [New York State Common Retirement Fund](#), Albany, which cut its rate of return assumption to 7%, from 7.5%, in September 2015.

Most recently, the \$8.4 billion [Oklahoma Public Employees Retirement System](#), Oklahoma City, lowered its rate to 7.25% from 7.5%.

Other plans that have made reductions include: the \$7.2 billion [New Hampshire Retirement System](#), Concord, which lowered its rate of return to 7.25% from 7.75%, the \$48.5 billion [Pennsylvania Public School Employees' Retirement System](#), Harrisburg, which lowered its rate of return to 7.25% from 7.5%, and the \$8 billion [Missouri State Employees' Retirement System](#), Jefferson City, which lowered its rate of return to 7.65% from 8%, show data from the National Association of State Retirement Administrators.

Two pension plans reduced their rate of return to less than 7% in 2016. The \$12.3 billion Maine Public Employees' Retirement System, Augusta, went to 6.875% from 7.125% and the \$10.8 billion [Kentucky Retirement Systems](#), Frankfort, went to 6.75% from 7.5%. They joined the \$24 billion [Texas Municipal Retirement System](#), Austin, whose board in July 2015 approved reducing its rate of return to 6.75% from 7%.

Continuing trend

Keith Brainard, research director of NASRA, said the latest round of reductions is a continuation of a trend that began after the financial crisis when many public pension plans began cutting their rate of return assumptions to 7.5% from 8%. Currently, he said, the average public pension plan anticipates a 7.5% rate of return, but he added a number of plans have begun to review those assumptions given the cloudy economic forecast for coming years.

But many plans, including CalPERS and CalSTRS, have not made a decision yet on lowering the assumed return. CalPERS earned 0.6% in its most recent fiscal year, while CalSTRS did slightly better at 1.4%; both significantly underperformed their 7.5% return assumptions.

CalPERS Chief Investment Officer Theodore Eliopoulos told the system's investment committee on Aug. 15 that the retirement system's general investment consultant, [Wilshire Associates](#), expects an annualized average investment return of 6.21% over the next decade, 90 basis points lower than its prediction two years earlier.

"The next two years, the next five years and, perhaps, the next 10 years are shaping up to be the most challenging market environment for us, for institutional investors and for pension funds going forward," Mr. Eliopoulos told the investment committee.

Wilshire Associates did issue a rosier long-term prediction for CalPERS: an annualized 7.83% return for 30 years.

The CalPERS investment committee voted last November to lower the fund's rate of return to 6.5% from 7.5% over 20 years, but the plan only lowers the rate of return and reduces the amount of riskier assets, like equities, in extended periods during which the system has returns over 7.5%.

Last year's action doesn't prevent CalPERS from making a more immediate rate of return reduction, but Mr. Eliopoulos would not comment on that possibility. The investment committee is scheduled to review rate of return assumptions starting next year.

Increasing strain

Even without lowering return assumptions, the \$1.7 trillion in U.S. public pension plan unfunded liabilities already is putting increasing strain on state, local governments and school districts, said Thomas Aaron, a Chicago-based vice president and senior analyst at Moody's Investors Service.

He said a Moody's sample of 108 public pension plans across 50 states shows the median government contribution rate relative to payroll reached 16.3% in 2015, up from 9.9% in 2006. Another concern is that many public pension plans are relying on riskier assets to drive returns of more than 7%, he said.

"We currently have heightened unfunded liabilities and contribution requirements, which are pressuring government budgets like never before, and at the same time there still remains a lot of downside asset risk that could further result in more unfunded liabilities and even higher contribution requirements," Mr. Aaron said.