

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

October 17, 2016

MINUTES

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

DIRECTORS Peter C. Foy, Public Member
ABSENT: Deanna McCormick, General Employee Member
Will Hoag, Alternate Retiree 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, Retirement Benefits Specialist
Chris Ayala, 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 October 17, 2016, to order at 9:01 a.m.

II. APPROVAL OF AGENDA

MOTION: Approve.

Moved by Wilson, seconded by Sedell.

Vote: Motion carried

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

No: -

Absent: Foy, McCormick, Hoag

III. APPROVAL OF MINUTES

A. Disability Meeting of October 3, 2016.

MOTION: Approve.

Moved by Wilson, seconded by Johnston.

Vote: Motion carried

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

No: -

Abstain: Sedell

Absent: Foy, McCormick, Hoag

IV. CONSENT AGENDA

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

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

C. Receive and File Budget Summary for FY 2016-17 Month Ending September 30, 2016

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

MOTION: Approve.

Moved by Sedell, seconded by Bianchi.

Vote: Motion carried

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

No: -

Absent: Foy, McCormick, Hoag

V. INVESTMENT MANAGER PRESENTATIONS

- A. Receive Annual Investment Presentation from Reams Asset Management, Clark W. Holland

Clark Holland was present on behalf of Reams Asset Management to provide an organizational and investment performance update.

- B. Receive Annual Presentation from Western Asset Management, Frances L. Coombes and Julien A. Scholnick

Frances L. Coombes and Julien A. Scholnick were present on behalf of Western Asset Management to provide an organizational and investment performance update.

Chair Towner requested a Break at 9:50 a.m.

The Board returned from break at 10:00 a.m.

VI. INVESTMENT INFORMATION

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

1. Preliminary Performance Report Month Ending September 30, 2016

Trustee Wilson inquired whether VCERA's investments are safely positioned should the market suffer a substantial loss.

Mr. Gallagher responded that it depended on the specific nature of the market loss, but that generally, he believed that VCERA's investment

portfolio was well diversified, and should minimize losses. Mr. Martin said that he believed that VCERA had a large exposure to equities, and that could cause a substantial loss during a bad economic event. He believed an increase to credit was warranted. Mr. Gallagher countered that with interest rates near zero, an overweighting to fixed income would harm the portfolio in a rising interest rate environment. Mr. Martin clarified that he believed that VCERA's inclusion of private credit in the private equity allocation would help to mitigate some of that risk.

MOTION: Receive and File.

Moved by Hintz, seconded by Wilson.

Vote: Motion carried

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

No: -

Absent: Foy, McCormick, Hoag

VII. OLD BUSINESS

A. Request to Increase Not-to-Exceed Amount for Nossaman, LLP for AB 1291

1. Staff Letter

Ms. Webb stated that the final work with Nossaman related to AB 1291 resulted in invoices above the not-to-exceed amount, previously approved. Ms. Webb also stated that she has checked with Nossaman regarding any pending invoices and believes this to be the final one.

Trustee Goulet asked when VCERA learned that Nossaman would exceed the approved amount. Trustee Goulet stated that VCERA should have been warned that we were going to exceed ahead of time.

Ms. Webb stated that staff learned of it when the invoice was received, and upon contacting Nossaman, understood the costs to be attributable to the significant work on the final weeks and the multiple in-person meetings required. Ms. Webb also indicated Nossaman would more carefully monitor NTE amounts in the future.

Trustee Goulet restated that Nossaman needs to take more care with their accounting practices.

Trustee Sedell asked Ms. Webb to inform Ms. Dunning of Nossaman that the Board would like them to be more careful in the future.

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

MOTION: Approve.

Moved by Sedell, seconded by Bianchi.

Vote: Motion carried

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

No: -

Absent: Foy, McCormick, Hoag

B. Consideration and Approval for Information Technology Services

RECOMMENDED ACTION: Approve.

1. Staff Letter

2. Proposed Contract

Ms. Webb stated that VCERA originally had a contract for an IT Manager, but we were unable to execute it, as the resource withdrew his interest in the position. She stated that Vitech has been working with VCERA to review resumes for other potential vendors. Ms. Webb said Vitech agreed that Mr. Herrick has the proper background and experience. She mentioned that it would be preferable if the candidate had some retirement experience, but none of the referrals had that specific experience.

Trustee Goulet noted an incorrect date in the proposed contract, and Ms. Webb agreed stating she recommended approval of the contract, with the correction date.

Trustee Sedell asked if a background check was done for the applicant. Ms. Webb stated that Vitech's Human Resources department had vetted their referrals as part of their offer of assistance in the recruitment, but that she had checked the most recent employer as well.

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

MOTION: Approve with Correction of Contract Start Date.

Moved by Hintz, seconded by Johnston.

Vote: Motion carried

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

No: -

Absent: Foy, McCormick, Hoag

After the vote, Trustee Johnston asked about the status of the legacy retirement system.

Ms. Webb stated VCERA is going to be making a recommendation to keep it through the rest of the year, as transmittal issues and defects are being resolved. She said that it is still being kept as a back-up.

Mr. Solis stated that VCERA has an existing service contract the current year with the County of Ventura-IT Services, as the system resides on the Count of Ventura's IBM mainframe. The cost is allocated based on the data maintained on the system. He also stated that VCERA needed to have a back-up system, in case VCERA experienced problems with the new V3 system. He stated that next year, when developing the budget, we will discuss an exit plan to terminate the service contract but also create a read only back-up of the data for historical purposes, in the event there is a need to retrieve data. Mr. Solis stated that the County of Ventura has a long-term plan to migrate existing users off the IBM mainframe to newer systems. VCERA is fortunate that there are still a number of agencies that utilize the IBM mainframe application, which allows VCERA cost effectively share in the ongoing maintenance cost.

Trustee Johnston asked if the contractor for maintaining the legacy system was still working for VCERA. Mr. Solis stated that the contract ended at the end of the last fiscal year.

- C. Request for Approval of Web Development Services Agreement with Digital Deployment, Inc.
 - 1. Staff Letter
 - 2. Digital Development Project Proposal

Ms. Webb described her research on Digital Deployment and very positive feedback received from other retirement system clients. Ms. Webb said that the agreement amount was slightly higher than the budgeted amount for the web development, which is the reason for this request to the Board.

Trustee Goulet stated that he was confused about the compressed timeline for the project. Ms. Webb said that Digital Development would like

us to start on this project next month, but the timeline allowed for some flexibility.

Trustee Goulet stated that he had expressed his concern to Ms. Webb about staff availability for this project while VCERA is still dealing with the remediation of the defects from the PAS project. Ms. Webb stated that the staff members who had been chosen for this project are currently not on the PAS project team and that these staff members have been good mentors for the rest of the staff and that they manage their time very well. She said that it was made very clear to Digital Deployment that our time would be very limited due to the PAS project and that she planned on taking a large roll in this project herself. She also said that she would be the lead on the project and would work on it until completion.

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

MOTION: Approve.

Moved by Winter, seconded by Johnston.

Vote: Motion carried

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

No: -

Absent: Foy, McCormick, Hoag

D. Update on VCERA Request to County Auditor-Controller for Access to Member Retirement Data

Ms. Webb stated that the Chair, Towner, the C.O.O. and the Retirement Administrator attended the VCHRP Steering Committee meeting on July 18, 2016 and explained further the request for read-only and query access to retirement tables in VCHRP. Ms. Webb said the Steering Committee had not yet responded on the presented request, but anticipated a formal response soon.

Trustee Goulet noted that it has been 3 months since the meeting.

Ms. Webb related that VCERA needed to audit the pay items that make up retirement earnings for both legacy and PEPRA members. Ms. Webb said that we have a legal basis for this request, but as a practical matter this issue is a weekly or daily problem for VCERA.

Chair Towner said that the reason this is on the agenda is to inform the Board of the ongoing issue with the request to the Auditor Controller, so

that if VCERA does not receive a resolution, the Board can take appropriate action.

Trustee Wilson asked if this is a unique problem to VCERA, or is there a similar problem for other retirement systems. Ms. Webb stated that in speaking to her colleagues, access to this retirement earnings information was standard practice.

VIII. NEW BUSINESS

None

X. INFORMATIONAL

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

XI. PUBLIC COMMENT

None

XII. STAFF COMMENT

CIO, Dan Gallagher verbally updated the board on the GMO liquidation. Mr. Gallagher said that a three-step process was used, so that VCERA would not be out of the market during the transition. The first step was GMO's liquidation of VCERA's interest, and simultaneous equitization of the global equity exposure by Parametric. The second step was that as settlement cash was distributed, it was moved to the Parametric account. After the cash distribution to Parametric was complete, the third step was movement of the global equity exposure from Parametric to VCERA's global equity index fund manager Blackrock.

Mr. Gallagher noted that he and NEPC worked together on the liquidation and transition, initially seeking an in-kind transfer of securities. NEPC contacted 3 different transition managers for a transition pre-analysis. However, GMO said a cash-out was the only available option, as an in-kind transition was too complex.

Mr. Gallagher informed the Board that GMO charged VCERA 18 basis points as an exit fee from the fund. Chair Towner noted that charging the 18 basis points was in the contract.

Mr. Gallagher will provide the Board with a written report at the next Board meeting.

Ms. Webb stated that VCERA will need responses from the trustees for the SACRS dinner invitations.

Ms. Webb also stated that she had meet with Shawn Atin, Assistant H.R. Manager regarding the Market Based Premium Pay issue. Ms. Webb said that she believed that it was a very positive meeting, and she felt that they were making progress.

Ms. Webb said that she wanted to remind all of the trustees to schedule their Board Books training. Ms. Webb also stated that as an update to AB 1291, she and Mr. Gallagher are officially VCERA employees and on October 23, 2016, Ms. Stallings, Mr. Solis and Ms. Nemiroff will also be officially employed by VCERA.

Ms. Webb stated that she anticipated submitting a defect remediation plan before the Board in November.

XIII. BOARD MEMBER COMMENT

Trustee Hintz commented that he wanted to acknowledge the VCERA staff for processing his service credit purchase. Trustee Hintz sated it was very efficient and quick.

XIV. ADJOURNMENT

The meeting was adjourned at 11:44 a.m.

Respectfully submitted,



LINDA WEBB, Retirement Administrator

Approved,



TRACY TOWNER, Chairman