

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

November 7, 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:

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| I. <u>CALL TO ORDER</u> | |
| II. <u>APPROVAL OF AGENDA</u> | 1 – 3 |
| III. <u>APPROVAL OF MINUTES</u> | |
| A. Business Meeting of October 17, 2016 | 4 – 13 |
| IV. <u>RECEIVE AND FILE PENDING DISABILITY APPLICATION
STATUS REPORT</u> | 14 – 42 |
| V. <u>APPLICATIONS FOR DISABILITY RETIREMENT</u> | |
| A. Application for Service Connected Disability Retirement,
Ramirez, Scott D.; Case No. 15-013 | 43 – 126 |
| 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 | |

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

- 3. Hearing Notice, dated September 13, 2016
- B. Application for Non-service Connected Disability Retirement, 127 – 202
Lewis, Tiffiney B.; Case No. 16-007
 - 1. Application for Non-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 October 13, 2016

VI. OLD BUSINESS

- A. Review and Discussion of November 11, 2016 SACRS Business Meeting Agenda Items 203 – 256
- B. GMO Termination and Portfolio Transition
RECOMMENDED ACTION: Receive and file.
 - 1. Staff Letter 257
- C. Update on VCERA Request to County Auditor-Controller for Access to Member Retirement Data
 - 1. Staff Letter
Materials to be provided
 - 2. Steering Committee Memorandum 258
- D. I.T. Resource Update and Recommendation
RECOMMENDED ACTION: Approve.
 - 1. Staff Letter 259

VII. NEW BUSINESS

- A. Quarterly Administrator's Report for July - September, 2016 260 – 261
RECOMMENDED ACTION: Receive and file.
- B. Letter from Trustee Goulet Regarding AB 1853 262
- C. Report on Due Diligence Visit to Walter Scott Submitted by CIO, Dan Gallagher and Trustee Hoag 263 – 278
RECOMMENDED ACTION: Receive and file.

VII. **NEW BUSINESS (continued)**

D. Request from Vitech for No-Cost Change Order Related to
PAS Rollout #2

1. Staff Letter
Materials to be provided
2. Vitech Requested Change Order
Materials to be provided

VIII. **INFORMATIONAL**

IX. **PUBLIC COMMENT**

X. **STAFF COMMENT**

XI. **BOARD MEMBER COMMENT**

XII. **ADJOURNMENT**

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

SACRS Business Meeting Agenda

Friday, November 11, 2016

9:45 a.m.

**Renaissance Resort and Spa, Indian Wells, CA
Crystal Ballroom**

**SACRS Parliamentarian – Lance Kjeldgaard
Sergeant at Arms – Derwin Brown, Los Angeles CERA**

1. County Roll Call

Art Goulet, SACRS Secretary

2. Secretary's Report – Receive and File

- May 2016 SACRS Business Meeting Minutes

3. Treasurer's Report – Receive and File

Larry Walker, SACRS Treasurer

- SACRS Financials July 1, 2016 – August 31, 2016

4. Board of Director's Report – No Action

Dan McAllister, SACRS President

- Board of Directors Update

5. SACRS Strategic Consultant Report – No Action

Jim Lites, Strategic Consultant

- Projects for 2015-2016

6. SACRS Legislative Proposals 2017 – Action Item

Richard Stensrud, Legislative Committee Chair

- **Merced #1** – Alternate Retiree Voting. This measure would modify alternate retiree trustee voting rights allowing for the absence of 2 board members at a meeting to provide additional voting rights to the Alternate Retiree in a case where there is no alternate safety member.

Recommendation: The Committee declined to recommend this proposal for SACRS sponsorship. The Committee found the proposal would impact a single system, and thus did not meet the criteria for SACRS legislative proposals to have multi-systems benefits or impacts.

- **Ventura #1** – Transfers of Leave Balances during Implementation of Independent Operating Authority. This proposal would clarify that the leave balances may be transferred for any retirement system employees who shift to BOR employment from county employment during implementation of independent operating authority.

Recommendation: Conditionally Approved. This proposal was approved for sponsorship IF the Governor signs AB 1853, which is the current 2016 SACRS-sponsored measure that provides system operating authority. AB 1853 is now pending on the Governor’s desk. If the Governor does not sign AB 1853, the Committee’s recommendation will be for Ventura to pursue clarification legislation as a single-system effort. The Governor has until September 30th to act upon all 2016 legislation.

7. SACRS Audit Committee Report – Receive and File

Steve Delaney, SACRS Audit Committee Chair

- SACRS Annual 2014 - 2015 Audit

8. SACRS Nomination Committee – No Action

Yves Chery, Nomination Committee Chair

- Schedule for the Spring 2017 Board of Directors Election

DEADLINE	DESCRIPTION
February 1, 2017	Nominating Committee receives nominations from SACRS membership
March 1, 2017	Nominating Committee submits its recommended ballot to each 1937 Act Board
March 25, 2017	Nominating Committee receives nominations from any 1937 Act Board
April 1, 2017	Nominating Committee submits final ballot to each 1937 Act Board – ballot consists of recommended ballot plus anybody else who is nominated but not recommended by the Nominating Committee (April 1 is a Saturday; next business day applies)
May 19, 2017	Conduct elections during the SACRS Business Meeting (at end of the May 2017 conference)
May 19, 2017	Board of Directors take office for 1 year

9. SACRS Committee & Breakout Reports:

Committee	Breakout Reports
Affiliate	Administrators
Audit	Counsels
Bylaws	Disability
Education	Internal Auditors
Legislative	Investment Officers
Nomination	Operations & Benefits
Program	Safety Trustees
	General Trustees

10. Adjournment

Next scheduled SACRS Association Business Meeting will be held Friday, May 19, 2017 at the Napa Valley Marriott.

**SACRS Business Meeting Minutes
Friday, May 13, 2016
10:00 AM- Until Adjournment
Westin South Coast Plaza Hotel
Costa Mesa, CA**

**SACRS Parliamentarian – Lance Kjeldgaard
Sergeant at Arms – Derwin Brown, Los Angeles CERA**

Meeting called to order at 10:02 am

Board members present:

Yves Chery, Gabe Rodrigues, Art Goulet, Dan McAllister, and Michael Bowman
(Affiliate Advisor to the Board)

Absent: Ray McCray

1. County Roll Call

Art Goulet, SACRS Secretary

10:06 am - 18 Systems present, Los Angeles and San Bernardino absent

10:20 am – 18 Systems present at quorum call, absent Alameda and Sonoma

10:28 am – 19 Systems present, Fresno departed

2. Secretary's Report – Receive and File

Art Goulet, SACRS Secretary

A. November 2015 SACRS Business Meeting Minutes

Motion: A motion to receive and file the SACRS November 2015 Business Meeting Minutes was made by San Diego.

2nd: Santa Barbara

Yes: Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare, Ventura.

No: 0

Absent: San Bernardino

Motion Passed

3. Treasurer's Report – Receive and File

Dan McAllister, SACRS Treasurer

A. July 2015 – February 2016

Motion: A motion to receive and file the SACRS Treasurers report was made by Tulare.

2nd: Los Angeles

Yes: Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare, Ventura.

No: 0

Absent: San Bernardino

Motion Passed

At this time a request for a quorum count was submitted by Sacramento at 10:20 am.

Attendance: Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Stanislaus, Tulare, Ventura.

Absent: Alameda, Sonoma

Quorum 18 present, 2 absent

4. SACRS President Report –Yves Chery, SACRS President

No Action was taken, no report was given

5. SACRS Audit Report –Steve Delaney, SACRS Audit Committee Chair

A. Update on 2014-2015 Audit

No Action was taken, verbal update as to the status of the audit was reported.

6. SACRS Legislative Committee Update – Vote

Richard Stensrud, SACRS Legislative Committee Chair

A. AB 1853 (Cooper) – 1937 Act Operating Authority

Motion: A motion to support AB 1853 was made by Sacramento.

2nd: Orange

Yes: Fresno, Imperial, Kern, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, Stanislaus, Tulare, Ventura

No: Mendocino, Merced, San Mateo, Santa Barbara

Abstain: Contra Costa, Los Angeles, Marin

Absent: Alameda, Sonoma

Motion Passed

At this time Sacramento called for a quorum count 10:28 am.

Attendance: Alameda, Contra Costa, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare, Ventura.

Absent: Fresno

Quorum 19 present, 1 absent

B. AB 2376 (Assembly PERS Committee) – SDCERA Proposal

Motion: A motion to approve supporting AB 2376 was made by Sacramento.

2nd: San Diego

Discussion: Jim Lites gave a brief explanation of the bill, Chris Prevatt asked why the need for sponsoring the bill and could the language be sent back to committee for reconsideration. It was noted that CRCEA supports the bill.

Yes: Alameda, Imperial, Kern, Los Angeles, Marin, Merced, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Sonoma, Stanislaus, Tulare, Ventura

No: Mendocino

Abstain: Contra Costa, Orange, Santa Barbara

Absent: Fresno

Motion Passed

C. 2016 SACRS Legislation Update – No action taken

D. Jim Lites, SACRS Consultant Update

CERL Index & UC Berkeley

Jim Lites gave a verbal report on the status of the UC Berkeley program Ad Hoc committee recommendations. The Ad Hoc Committee recommended every other year rotation of the current program with an alternating advanced class that includes updated curriculum/more advanced information presented. Jim also updated the membership on the development of the CERL Index project. The draft information will be available to the Legislative committee by the end of Summer. The committee will review, edit if necessary and then present to Attorneys Breakout for their feedback. Once reviewed, the Legislative Committee will present to the Board for their review. No action was taken.

7. SACRS Bylaws Committee Report

Vivian Gray, SACRS Bylaws Committee Chair

A. Amendment to Article IV - Delegates

Motion: A motion was made by Los Angeles to approve the bylaw amendments as presented by Chair Vivian Gray. The proposed bylaws address Article IV Delegates and section 3 voting by delegates/Alternate Delegates.

2nd: Alameda

Discussion:

Chris Prevatt, Orange CERS, asked questions regarding meeting schedules and notification of information as a committee member. Dave Kehler, Tulare, asked for clarification as to the intent of the changes. Cindy Garman, San Joaquin, and Louis Fiorino also had questions regarding the proposed language and necessity for the updates.

Yes: Alameda, Contra Costa, Imperial, Kern, Los Angeles, Marin, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Tulare, Ventura

No: Mendocino

Abstain: Merced, Orange, Stanislaus
Absent: Fresno
Motion Passed

8. SACRS Nomination Committee – 2016-2017 SACRS BOD Elections
 Ray McCray, Nomination Committee Chair

A. SACRS BOD 2016 – 2017 Ballot

Motion: A motion to approve the Nomination committee recommended names for the 2016-2017 SACRS Board of Directors was made by San Bernardino.

2nd: Marin

Yes: Alameda, Contra Costa, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare, Ventura

Absent: Fresno

No: 0

Motion Passed

9. SACRS Committee & Breakout Reports:

Committee	Chair	Breakout Reports	Representative
Affiliate	Michael Bowman	Administrators – no report	Linda Webb
Audit – no report	Steve Delaney	Attorneys – great turnout, good speakers, San Bernardino to help in the Fall at the conference	David Lantzer
Bylaws – agenda item served as report	Vivian Gray	Disability – no report	Cristal Rodriguez
Education – 13 attendees participated in assisting the committee tabulate evaluations. 25 sessions, over 300 evals	Christie Porter	Internal Auditors – no report	Harsh Jadhav



SACRS

State Association of County Retirement Systems

Staff * Trustees * Affiliates * Success

A California Non Profit Corporation

received, lots of positive feedback on the conference			
Legislative – agenda item served as report	Richard Stensrud	Investment Officers – room was too large, too many people attended that should have been in other breakouts. Good discussion, liked the extra time allotted to the breakouts	Steve Marsh
Nomination – agenda item served as report. Chair was absent from meeting	Ray McCray	Ops & Benefits – San Diego to help with the Fall conference	Jeannine Smart
Program	Gabe Rodrigues	Safety Trustees – no report	Tracy Towner
		General Trustees- Michele Tamayo was well received and attendees really enjoyed the discussion	Vivian Gray

Meeting adjourned at 11:24 am

Next scheduled SACRS Association Business Meeting will be held Friday, November 11, 2016, at the Renaissance Esmeralda Resort & Spa, Indian Wells, CA.

**State Association of County Retirement Systems
Balance Sheet
As of August 31, 2016**

	Total
ASSETS	
Current Assets	
Checking/Savings	
1000 · Community 1st Bank - Checking	152,465.00
1001 · BofA Interest Checking 4389	113,931.19
1003 · Banner Bank - Checking	76,233.07
1106 · Banner Bank - CD FLEX #0642	57,185.30
Total Checking/Savings	399,814.56
Other Current Assets	
1100 · CalTrust - Medium Term	1,117,992.41
1101 · CalTrust - MMA	756,936.86
Total Other Current Assets	1,874,929.27
Total Current Assets	2,274,743.83
TOTAL ASSETS	2,274,743.83
LIABILITIES & EQUITY	
Equity	
32000 · Retained Earnings	2,237,795.50
Net Income	36,948.33
Total Equity	2,274,743.83
TOTAL LIABILITIES & EQUITY	2,274,743.83

**State Association of County Retirement Systems
Budget vs. Actuals
July through August 2016**

	<u>Jul - Aug 16</u>	<u>Annual Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
4100 · Membership Dues				
4101 · Membership Dues - Affiliates	188,000.00	215,000.00	-27,000.00	87.44%
4102 · Membership Dues - Non Profit	5,250.00	8,000.00	-2,750.00	65.63%
4103 · Membership Dues - Systems	62,000.00	94,000.00	-32,000.00	65.96%
Total 4100 · Membership Dues	255,250.00	317,000.00	-61,750.00	80.52%
4200 · Conference Registration				
4201 · Affiliates - Early	57,360.00			
4203 · Affiliates - Late/Onsite	7,690.00			
4204 · Non Profit	500.00			
4205 · Systems	3,260.00			
4206 · Non-Members	48,110.00			
4200 · Conference Registration - Other	0.00	1,020,000.00	-1,020,000.00	0.0%
Total 4200 · Conference Registration	116,920.00	1,020,000.00	-903,080.00	11.46%
4250 · Product Income				
4256 · Conference DVDs	25.00			
4250 · Product Income - Other	0.00	500.00	-500.00	0.0%
Total 4250 · Product Income	25.00	500.00	-475.00	5.0%
4270 · UC Berkeley Program				
4271 · Registrations	35,000.00	75,000.00	-40,000.00	46.67%
4272 · Sponsorships	24,000.00	65,000.00	-41,000.00	36.92%
Total 4270 · UC Berkeley Program	59,000.00	140,000.00	-81,000.00	42.14%
Total Income	431,195.00	1,477,500.00	-1,046,305.00	29.18%
Gross Profit	431,195.00	1,477,500.00	-1,046,305.00	29.18%
Expense				
Administrative Fee - SYAi	28,357.86	152,375.00	-124,017.14	18.61%
Administrative Services	4,737.16	21,000.00	-16,262.84	22.56%
Audio/Visual Equipment	29,450.00	85,000.00	-55,550.00	34.65%

**State Association of County Retirement Systems
Budget vs. Actuals
July through August 2016**

	Jul - Aug 16	Annual Budget	\$ Over Budget	% of Budget
Awards	0.00	1,000.00	-1,000.00	0.0%
Bank Charges/Credit Card Fees	4,597.47	45,000.00	-40,402.53	10.22%
Berkeley & Symposium	20,503.46	190,000.00	-169,496.54	10.79%
CERL	0.00	25,000.00	-25,000.00	0.0%
Commissions & Fees	0.00	5,000.00	-5,000.00	0.0%
Consulting	0.00	42,000.00	-42,000.00	0.0%
Dues & Subscriptions	0.00	3,700.00	-3,700.00	0.0%
Hotels	239,081.47	500,000.00	-260,918.53	47.82%
Insurance	0.00	6,000.00	-6,000.00	0.0%
Legal & Professional Fees	22,274.16	25,000.00	-2,725.84	89.1%
Legislative Advocacy	8,982.84	55,244.00	-46,261.16	16.26%
Magazine	0.00	25,000.00	-25,000.00	0.0%
Meals and Entertainment	886.62	100,000.00	-99,113.38	0.89%
Office Expenses	0.00	1,000.00	-1,000.00	0.0%
Postage	2,530.93	3,000.00	-469.07	84.36%
Printing/badges	300.00			
Program Material	1,579.75	50,000.00	-48,420.25	3.16%
Speakers	14,489.68	60,000.00	-45,510.32	24.15%
Stationery & Printing	642.00	1,500.00	-858.00	42.8%
Strategic Facilitator	425.00	25,000.00	-24,575.00	1.7%
Supplies	0.00	1,500.00	-1,500.00	0.0%
Taxes & Licenses	0.00	100.00	-100.00	0.0%
Travel	8,855.02	50,000.00	-41,144.98	17.71%
Website	9,000.00	189,775.00	-180,775.00	4.74%
Total Expense	396,693.42	1,663,194.00	-1,266,500.58	23.85%
Net Ordinary Income	34,501.58	-185,694.00	220,195.58	-18.58%
Other Income/Expense				

**State Association of County Retirement Systems
 Budget vs. Actuals
 July through August 2016**

	<u>Jul - Aug 16</u>	<u>Annual Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Other Income				
Interest Earned	2,446.75			
Total Other Income	2,446.75			
Net Other Income	2,446.75			
Net Income	36,948.33	-185,694.00	222,642.33	-19.9%

**State Association of County Retirement Systems
Profit & Loss
August 2016**

	Aug 16
Ordinary Income/Expense	
Income	
4100 · Membership Dues	
4101 · Membership Dues - Affiliates	154,000.00
4102 · Membership Dues - Non Profit	5,000.00
4103 · Membership Dues - Systems	58,000.00
Total 4100 · Membership Dues	217,000.00
4200 · Conference Registration	
4201 · Affiliates - Early	44,050.00
4203 · Affiliates - Late/Onsite	3,840.00
4204 · Non Profit	500.00
4205 · Systems	1,940.00
4206 · Non-Members	42,770.00
Total 4200 · Conference Registration	93,100.00
4270 · UC Berkeley Program	
4271 · Registrations	22,500.00
4272 · Sponsorships	19,000.00
Total 4270 · UC Berkeley Program	41,500.00
Total Income	351,600.00
Gross Profit	351,600.00
Expense	
Administrative Fee - SYAi	13,913.08
Administrative Services	4,737.16
Bank Charges/Credit Card Fees	3,376.65
Hotels	52,500.00
Legal & Professional Fees	573.00
Legislative Advocacy	4,491.42
Meals & Entertainment	638.55
Postage	444.55
Program Material	379.75
Speakers	920.20
Stationary & Printing	642.00
Travel	994.97
Total Expense	83,611.33
Net Ordinary Income	267,988.67
Other Income/Expense	
Other Income	
Interest Earned	1,236.82
Total Other Income	1,236.82
Net Other Income	1,236.82
Net Income	269,225.49

YEAR 2017 SACRS LEGISLATIVE PLATFORM WORKSHEET

PLEASE COMPLETE AND RETURN BY SEPTEMBER 7, 2016

Title of Issue: Voting Rights of Alternate Retirement Member

Association: Merced County Employees Retirement Association (MCERA)

Contact Person: Angelo Lamas

Phone #: (209) 725-2724

Email #: ALamas@co.merced.ca.us

Please answer the following questions as fully as possible:

1. Description of issue. The passage of AB 1853 added certain voting responsibilities for the Retired Alternate Trustee. However, in the absence of the Alternate Safety Member, these voting responsibilities do not come into play unless two other elected board members are absent as well. Currently Merced CERA does not have an Alternate Safety Board member which caused one meeting to be cancelled due to lack of a quorum.
2. Recommended solution. With the proposed legislative language, the Alternate Retiree Board member would be allowed to vote if the Alternate Safety Member and one other elected board member are absent from a board meeting. With this language, if the Alternate Safety Member were present, that member would have priority over the Alternate Retiree Member and vote for any absent elected board member other than the Retiree Member. If two elected members were absent, both the Alternate Safety and Alternate Retiree Members would be able to vote on board agenda items.
3. Specific language that you would like changed in, or added to, '37 Act Law, and suggested code section numbers. See underlined and bold amendments to the code below.

GOVERNMENT CODE - GOV

TITLE 3. GOVERNMENT OF COUNTIES [23000 - 33205]

(Title 3 added by Stats. 1947, Ch. 424.)

DIVISION 4. EMPLOYEES [31000 - 33017]

(Division 4 added by Stats. 1947, Ch. 424.)

PART 3. RETIREMENT SYSTEMS [31200 - 33017]

(Part 3 added by Stats. 1947, Ch. 424.)

CHAPTER 3. County Employees Retirement Law of 1937 [31450 - 31898]

(Chapter 3 added by Stats. 1947, Ch. 424.)

ARTICLE 3. Retirement Board [31520 - 31543]
(Article 3 added by Stats. 1947, Ch. 424.)

31520.5.

(a) Notwithstanding Section 31520.1, in any county subject to Articles 6.8 (commencing with Section 31639) and 7.5 (commencing with Section 31662), the board of retirement may, by majority vote, appoint, from a list of nominees submitted by a recognized retiree organization, an alternate retired member to the office of the eighth member, who shall serve until the expiration of the current term of the current eighth member. Thereafter, the alternate retired member shall be elected separately by the retired members of the association in the same manner and at the same time as the eighth member is elected.

(b) The term of office of the alternate retired member shall run concurrently with the term of office of the eighth member. The alternate retired member shall vote as a member of the board only in the event the second, third, seventh or eighth member is absent from a board meeting for any cause and if the alternate seventh board member is absent from said meeting. In the event that both alternate seventh safety member and alternate retired member are present at the board meeting and if the second, third, or seventh member is absent, the alternate seventh member shall vote for the absent board member. In the event that both the alternate safety member and alternate retired member are present at a board meeting and if two or more of the second, third, seventh, or eighth members are absent from a board meeting, both alternate safety member and alternate retired member shall be able to vote for the absent board members. If there is a vacancy with respect to the eighth member, the alternate retired member shall fill that vacancy for the remainder of the eighth member's term of office.

4. Why should the proposed legislation be sponsored by SACRS rather than by your individual retirement association? With twenty CERL county retirement systems, several other counties have Alternate Retired Board Trustee's. The proposed legislation would give all Alternate Retiree Trustee's enhanced voting rights and more of an active role in the actions taken by the retirement board.
5. Do you anticipate that the proposed legislation would create any major problems, such as conflicting with Proposition 162 or create a problem with any of the other 19 SACRS retirement associations? NO
6. Who will support or oppose this proposed change in the law? CERL Counties Support; No known opposition.
7. Who will be available from your association to testify before the Legislature?
Scott Johnson

E-mail or mail your legislative proposals to:

YEAR 2017 SACRS LEGISLATIVE PLATFORM WORKSHEET

PLEASE COMPLETE AND RETURN BY SEPTEMBER 7, 2016

Title of Issue: **Transfer of accrued leave balances**

Association: **Ventura County Employees' Retirement Association (VCERA)**

Contact Person: **Tracy Towner, Board Chair**

Phone #: **805-947-7967**

Fax #:

Please answer the following questions as fully as possible:

1. Description of issue. **See attached #1**
2. Recommended solution. **Amend the 1937 Act to provide clear authorization.**
3. Specific language that you would like changed in, or added to, '37 Act Law, and suggested code section numbers. **See attached #2**
4. Why should the proposed legislation be sponsored by SACRS rather than by your individual retirement association? **To provide clear authority.**
5. Do you anticipate that the proposed legislation would create any major problems, such as conflicting with Proposition 162 or create a problem with any of the other 19 SACRS retirement associations? **No**
6. Who will support or oppose this proposed change in the law? **See attached #3**
7. Who will be available from your association to testify before the Legislature? **Tracy Towner or Art Goulet**

E-mail or mail your legislative proposals to:

Jim Lites
California Strategies & Advocacy, LLC
980 9th Street, Suite 2000
Sacramento, CA 95814
Phone (916) 266-4575
E-mail: jlites@calstrat.com

Attachment to VCERA Legislative Platform

#1. When VCERA attempted to implement the provisions of AB 1291 (Williams) and employ certain county employees, the county argued that the transfer of those employees to VCERA constituted a termination of county employment and the county was obligated to pay the employees the cash value of any leave accruals, as required by sec. 227.3 of the Labor Code. VCERA desired to have leave accruals transferred, but the county would not cooperate, citing risk.

#2. Assuming AB 1853 is passed and signed into law, amend Government Code sec. 31522.75 (g)(3) by designating the current text as subdivision (A), and adding a new subdivision (B) to read:

*(B) All leave balances accrued by County employees appointed by a board of retirement as retirement system employees under any provision of this Act shall be transferred from the county to the retirement system, including full payment to the retirement system on those balances to the extent not already a financial obligation of the retirement system, and such employees shall not be deemed to have terminated employment under Labor Code section 227.3.
This subdivision is declaratory of existing law.*

#3. Supporters: VCERA and any other system exercising the provisions of AB 1853.
Labor Unions.
Opponents (likely): CSAC

**STATE ASSOCIATION OF
COUNTY RETIREMENT SYSTEMS**

**FINANCIAL STATEMENT
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2015 AND 2014**

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

JUNE 30, 2015

EXECUTIVE COMMITTEE

Yves Chery
President

Gabe Rodrigues
Vice President

Dan McAllister
Treasurer

Art Goulet
Secretary

Ray McCray
Immediate Past President

Michael Bowman
Affiliate Chair

*** * * ***

Sulema Peterson,
Shaw / Yoder / Antwih, Inc.
Association Management

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

JUNE 30, 2015

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James Marta & Company LLP
Certified Public Accountants

Accounting Auditing Tax and Consulting

INDEPENDENT AUDITOR'S REPORT

Board of Directors
State Association of County Retirement Systems
Sacramento, California

Report on the Financial Statement

We have audited the accompanying statement of cash receipts and disbursements, of the State Association of County Retirement Systems (SACRS) for the fiscal years ended June 30, 2015 and 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the State Association of County Retirement Systems for the years ended June 30, 2015 and 2014, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 to the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, Graphical Presentation of Cash Disbursements, and Conference Summary Report, on pages 7 to 12, are presented for purposes of additional analysis and are not a required part of the financial statement.

The Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, and Graphical Presentation of Cash Disbursements, on pages 7 to 11, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, and Graphical Presentation of Cash Disbursements, on pages 7 to 11 is fairly stated in all material respects in relation to the financial statement as a whole.

The Conference Summary Report, on page 12, has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Restricted Use

This report is intended solely for the information and use of management and the board of directors of State Association of County Retirement Systems and is not intended to be and should not be used by anyone other than these specified parties.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
August 16, 2016

FINANCIAL SECTION

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	2014-15	2013-14
<u>Cash Receipts</u>		
Dues	\$ 313,500	\$ 318,000
Conference		
Fall	600,200	564,390
Spring	509,860	483,250
Seminars	130,500	145,000
Other Admin Receipts	446	269
Other Conference Receipts	22,065	6,300
Interest	3,688	2,041
Total Cash Receipts	1,580,259	1,519,250
<u>Cash Disbursements</u>		
Conference		
Fall - 2014 and 2013		
Hotel and meals	259,226	328,405
Audio and visual	38,118	36,800
Program materials	22,546	46,591
Spring - 2015 and 2014		
Hotel and meals	-	86,618
Audio and visual	10,000	41,759
Program materials	13,078	35,892
Seminars	212,516	205,617
Conference Administration	18,108	17,136
Prior Year and Other Expenses	81,853	199,830
Total conference disbursements	655,445	998,648
Administration	310,093	274,954
Legislative representation	511	281
Lobbying	81,300	76,375
Newsletters	11,581	-
Committee meetings	2,267	1,911
Special projects	25,255	26,435
Total administration disbursements	431,007	379,956
Total Cash Disbursements	1,086,452	1,378,604
Excess (Deficit) of Cash Receipts over Cash Disbursements	493,807	140,646
Cash and Investments, Beginning	1,731,263	1,590,617
Cash and Investments, Ending	\$ 2,225,070	\$ 1,731,263
<i>Supplementary Information</i>		
<u>Cash and Investments at June 30,</u>	2015	2014
Cash and cash equivalents	\$ 1,119,080	\$ 1,731,263
Current portion of investments	-	-
Non current portion of investments	1,105,990	-
Total Cash and Investments	\$ 2,225,070	\$ 1,731,263

The accompanying notes are an integral part of this financial statement.

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

NOTES TO THE FINANCIAL STATEMENT

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

State Association of County Retirement Systems (SACRS) is a not-for-profit association of 20 California county retirement systems, enacted under the County Employees Retirement Law of 1937. SACRS was formed in the early 1970's to provide forums for disseminating knowledge of, and developing expertise in, the operation of county retirement systems existing under current law, as well as to foster and take an active role in the legislative process. To accomplish SACRS' mission of addressing issues of importance to members, SACRS, contracting with Strategic Local Government Services, provides a variety of association management services, including three magazines a year, membership directory, semi-annual conferences, and oversight of SACRS.org. The Association is supported primarily through membership dues and conference fees.

B. BASIS OF ACCOUNTING

The accompanying financial statement has been prepared on the cash receipts and disbursements basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Under that basis, the only assets recognized are cash and investments, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because the effects of outstanding dues and obligations for assessments unpaid at the date of the financial statement are not included in the financial statement.

Management has elected to use the cash basis of accounting for this entity given the nature of its receipts and disbursements: revenue is almost always received and earned in the same period (e.g. at the beginning of the year for annual memberships, and shortly prior to events for conference attendance) and most expenses are incurred evenly over the year, with the exception of the billing for the conference hotel expense. Financial results by conference are presented in the Conference Summary Report in the Supplementary Information section of this document.

C. INCOME TAXES

The Association is exempt from federal and state income taxes under Section 501(c)(4) of the Internal Revenue Code and Section 23701f of the California Revenue and Taxation Code.

D. CONTRACTUAL AGREEMENTS

The Association has entered into various contractual agreements for professional services. These agreements include compensation for services rendered to the Association.

E. COMPARATIVE DATA

Comparative data for the prior year have been presented in certain sections of the accompanying financial statement in order to provide an understanding of changes in the Association's financial position and operations.

Since SACRS uses the cash basis of accounting, the timing of events and the ultimate settlement of bills may vary from year to year. For example; the Spring conference costs could be settled by June (by year end) or be extended into the subsequent year. Also the timing of events could affect when payments are made from year to year. Payments after year end will be paid out of the surplus generated out of the prior year conference receipts. So the surplus cash at year end may have future demands for prior expenses. Management prepares a conference summary report that reconciles these payments when settled; this report is presented as supplementary information.

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

NOTES TO THE FINANCIAL STATEMENT

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

2. CASH AND INVESTMENTS

Cash and Cash Equivalents

SACRS considers short-term highly liquid investments to be cash equivalents provided that they are both readily convertible to cash and had an original maturity of three months or less when purchased. The balance in cash and cash equivalents at June 30 include:

	2015	2014
Bank accounts	\$ 307,529	\$ 619,631
Bank certificates of deposit	57,106	357,634
Money market accounts	754,445	753,998
Total cash and cash equivalents	\$ 1,119,080	\$ 1,731,263

Cash in bank accounts at June 30, 2015 consisted of the following:

	Bank of America	Bank of Sacramento	Total
Per bank	\$ 139,911	\$ 169,642	\$ 309,553
Checks outstanding	(2,024)	-	(2,024)
Deposits in transit	-	-	-
Total bank accounts	\$ 137,887	\$ 169,642	\$ 307,529

Cash in bank accounts at June 30, 2014 consisted of the following:

	Bank of America	Bank of Sacramento	Total
Per bank	\$ 268,311	\$ 343,848	\$ 612,159
Checks outstanding	-	(10,578)	(10,578)
Deposits in transit	-	18,050	18,050
Total bank accounts	\$ 268,311	\$ 351,320	\$ 619,631

Cash balances on interest-bearing accounts held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The amount in excess of FDIC as of June 30, 2015 and 2014 was \$0 and \$112,159 respectively.

Investments

In March 2015, SACRS invested in the CalTRUST Medium-Term Fund (the "Fund"), depositing \$1,104,130. The balance as of June 30, 2015 presented in the financial statement is \$1,105,990; this balance includes reinvested interest income totaling \$1,860, but does not include changes in fair market value for the year ended June 30, 2015 totaling (\$3). The fair market value of SACRS' investment in the Fund at June 30, 2015 is \$1,105,987. The current portion of the investment account represents underlying securities which are immediately redeemable (e.g. equities), or will mature within one year. The current portion of investments at June 30, 2015 was \$0. The Fund is not rated or insured. Total return on Fund was 0.65% for the year ended June 30, 2015.

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

NOTES TO THE FINANCIAL STATEMENT

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

3. CONTRACTS

SACRS has entered into contracts with various hotels to reserve facilities and guest rooms for its upcoming conferences and events. Cancellation fees associated with these contracts vary by date of notice. All hotel contracts specify the total number of guest room nights reserved at a group rate. If guest nights attributed to the convention fall below a specified minimum, SACRS is obligated to pay a room attrition rate for every guest night below the contracted minimum; standard room rates exceed the attrition rate. The organization is also responsible for food and beverage minimums as specified below. Hotel contracts entered into as of the audit date are summarized here:

Conference	Cancellation Fees	Food and Beverage Minimums	Guest Room Nights Reserved	Guest Room Nights Minimum	Rooms Attrition
Fall 2015	\$57,659-\$230,635	\$75,000	990	792	\$229 plus tax
Spring 2016	\$28,432-\$213,240	\$99,000	842	674	\$226 plus tax
Fall 2016	\$50,544-\$299,674	\$80,000	888	710	\$229 plus tax
Spring 2017	\$28,373-\$283,733	\$100,000	817	654	\$225 plus tax
Fall 2017	\$187,162-\$274,324	\$100,000	995	796	\$219 plus tax
Spring 2018	\$44,868-\$179,473	\$150,000	935	748	\$192 plus tax
Fall 2018	\$55,418-\$286,672	\$100,000	968	774	\$226 plus tax

4. DONATED SERVICES

Directors and officers have made a significant contribution of their time to develop the organization and its programs. No amounts have been recognized in the accompanying statement of cash receipts and disbursements as no cash changed hands as a result of the donated services.

5. SUBSEQUENT EVENTS

SACRS' management has evaluated subsequent events through August 16, 2016, the date which the financial statement was issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statement.

SUPPLEMENTARY INFORMATION

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS
COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

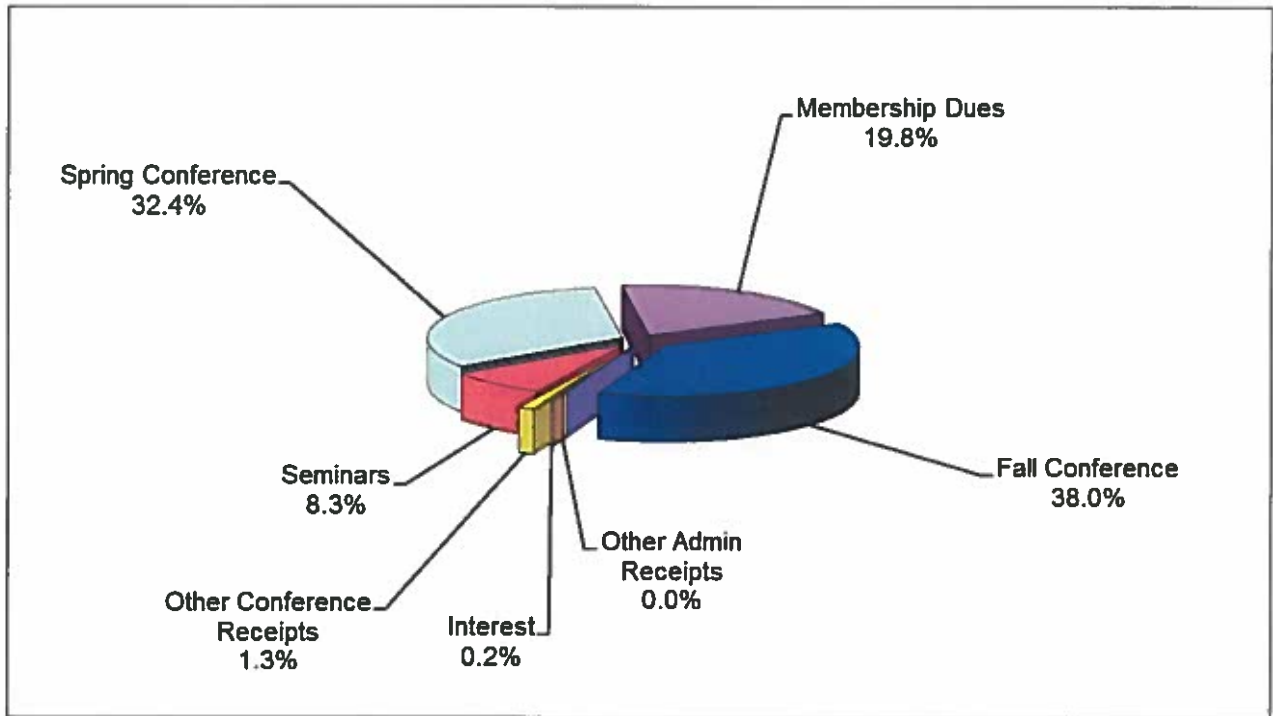
	<u>Conference</u>	<u>Administration</u>	<u>Total</u>
<u>Cash Receipts</u>			
Dues	\$ -	\$ 313,500	\$ 313,500
Conference			
Fall	600,200	-	600,200
Spring	509,860	-	509,860
Seminars	130,500		130,500
Other Admin Receipts	-	446	446
Other Conference Receipts	22,065	-	22,065
Interest	3,688	-	3,688
Total Cash Receipts	<u>1,266,313</u>	<u>313,946</u>	<u>1,580,259</u>
<u>Cash Disbursements</u>			
Conference			
Fall - 2014			
Hotel and meals	259,226	-	259,226
Audio and visual	38,118	-	38,118
Program materials	22,546	-	22,546
Spring - 2015			
Hotel and meals	-	-	-
Audio and visual	10,000	-	10,000
Program materials	13,078	-	13,078
Seminars	212,516	-	212,516
Conference Administration	18,108	-	18,108
Prior Year and Other Expenses	81,853	-	81,853
Total conference disbursements	<u>655,445</u>	<u>-</u>	<u>655,445</u>
Administration	-	310,093	310,093
Legislative representation	-	511	511
Lobbying	-	81,300	81,300
Newsletters	-	11,581	11,581
Committee meetings	-	2,267	2,267
Special projects	-	25,255	25,255
Total administration disbursements	<u>-</u>	<u>431,007</u>	<u>431,007</u>
Total Cash Disbursements	<u>655,445</u>	<u>431,007</u>	<u>1,086,452</u>
Excess (Deficit) of Cash Receipts over Cash Disbursements	610,868	(117,061)	493,807
Cash and Investments, Beginning	<u>1,973,026</u>	<u>(241,763)</u>	<u>1,731,263</u>
Cash and Investments, Ending	<u>\$ 2,583,894</u>	<u>\$ (358,824)</u>	<u>\$ 2,225,070</u>

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

GRAPHICAL PRESENTATION OF CASH RECEIPTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CASH RECEIPTS BY SOURCE

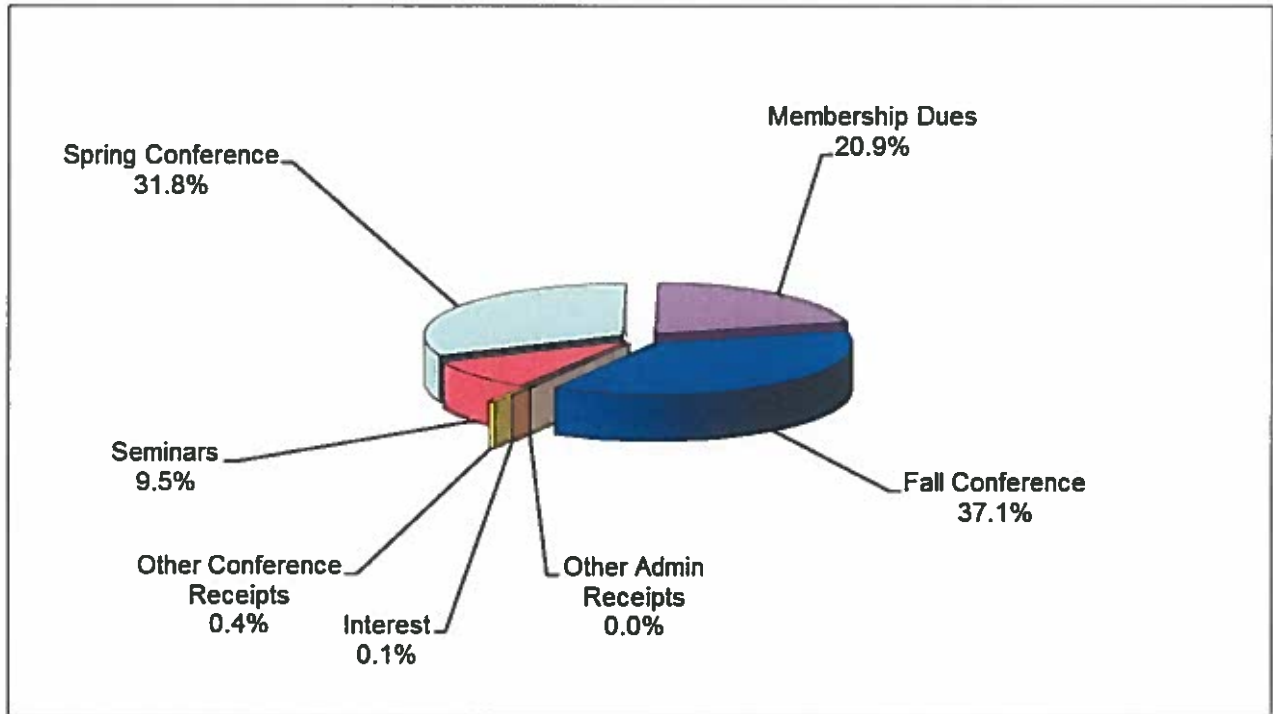


STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

GRAPHICAL PRESENTATION OF CASH RECEIPTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

CASH RECEIPTS BY SOURCE

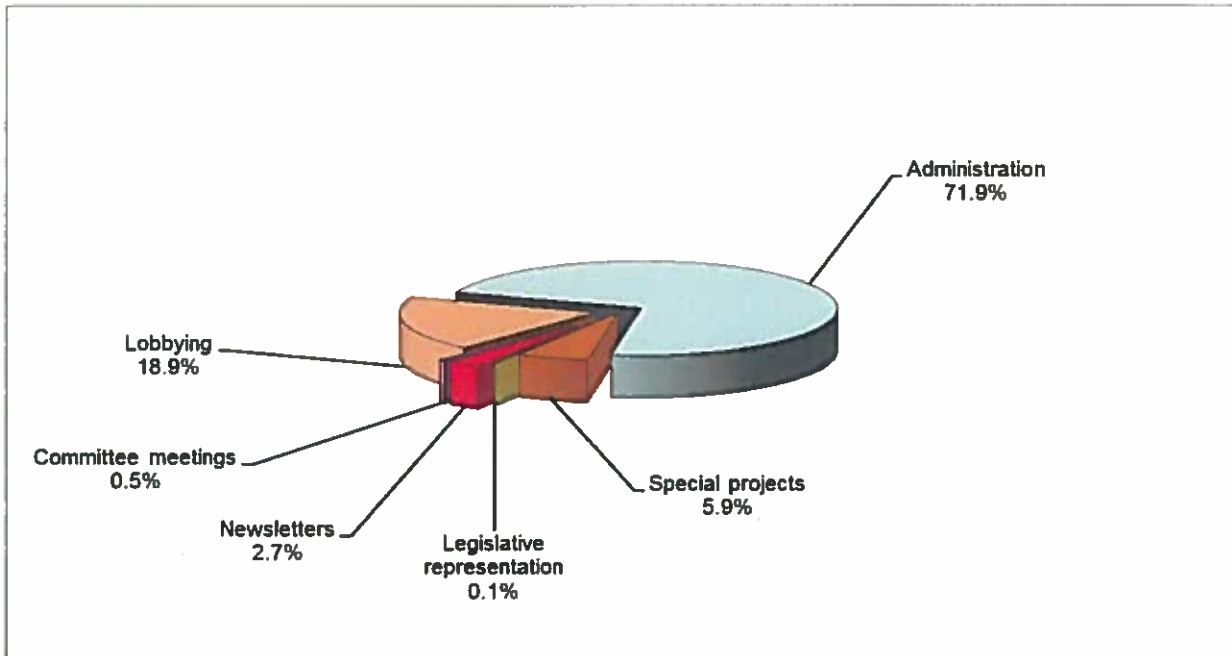


STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

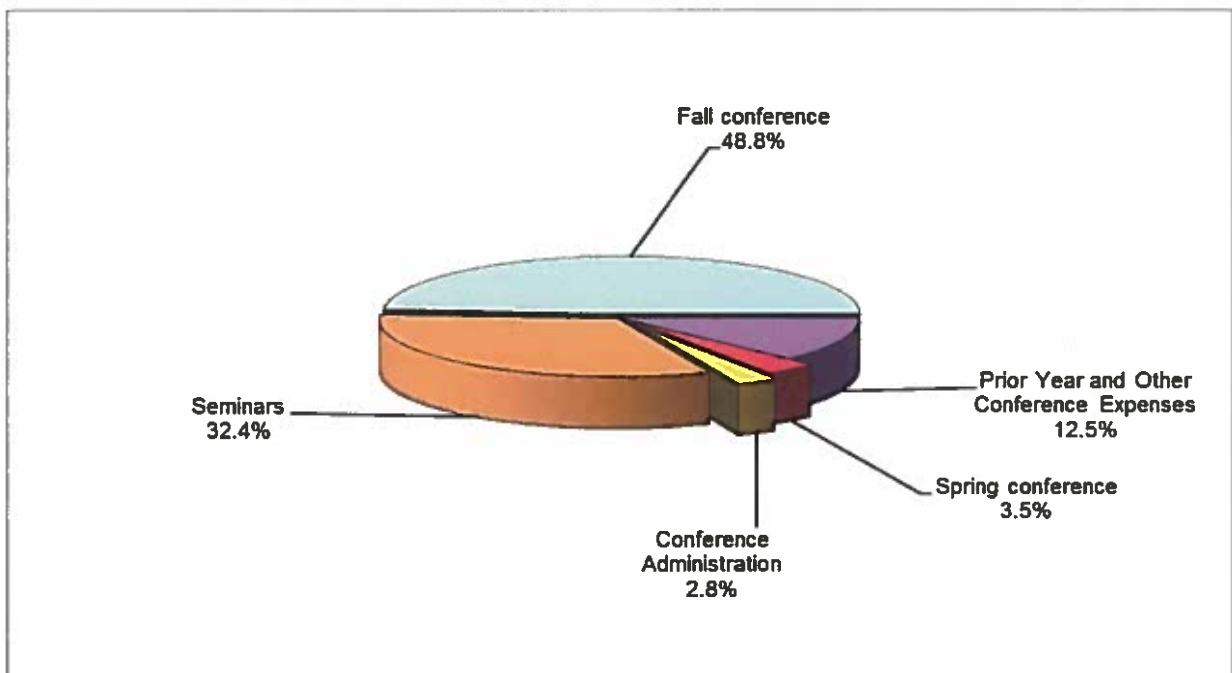
GRAPHICAL PRESENTATION OF CASH DISBURSEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

ADMINISTRATION CASH DISBURSEMENTS

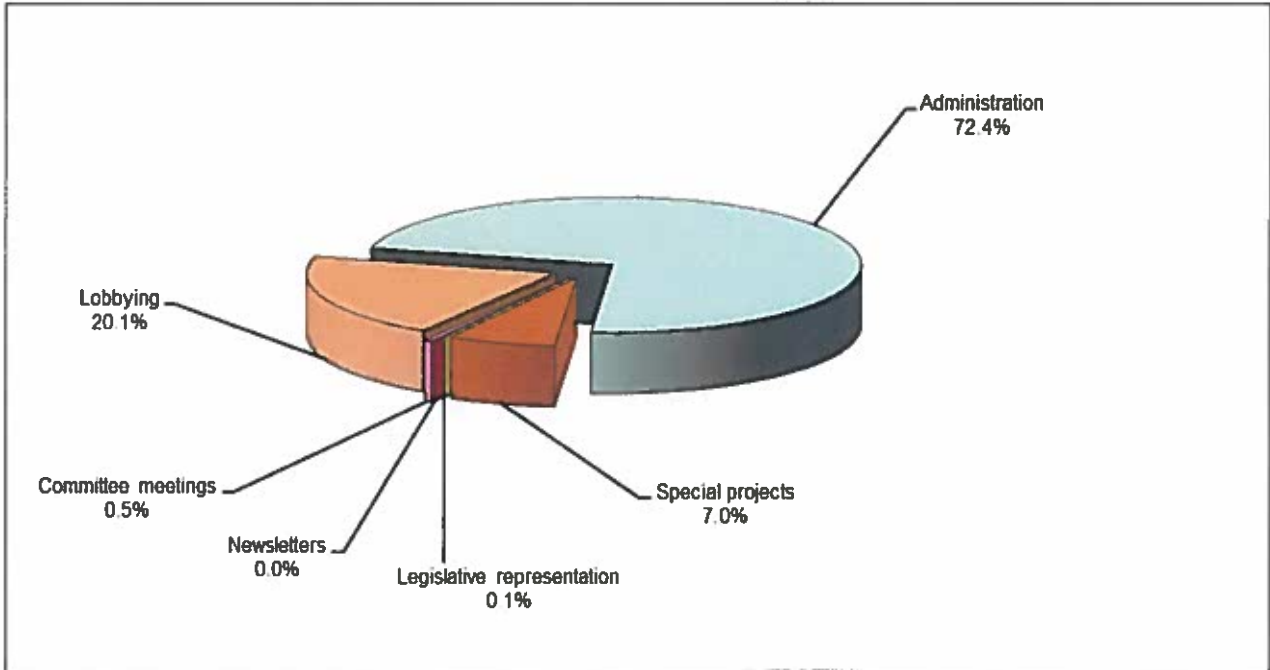


CONFERENCE CASH DISBURSEMENTS

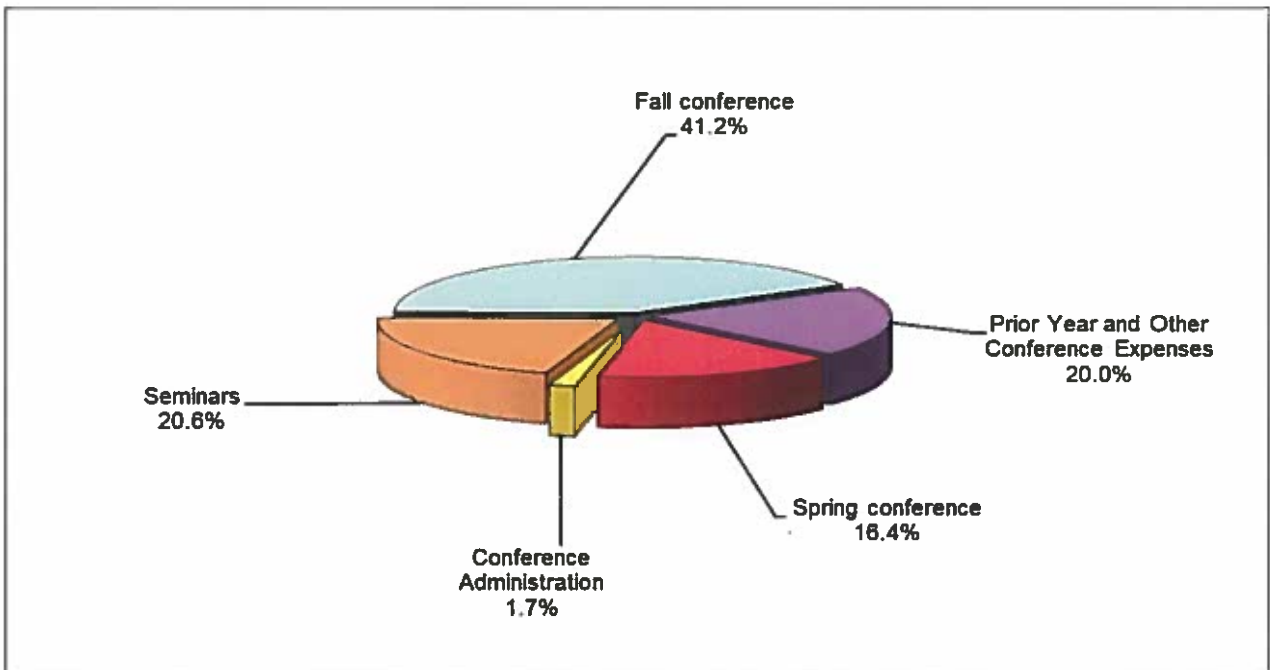


STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS
GRAPHICAL PRESENTATION OF CASH DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

ADMINISTRATION CASH DISBURSEMENTS



CONFERENCE CASH DISBURSEMENTS



STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS
CONFERENCE SUMMARY REPORT

	<u>Spring 2015 Anaheim</u>	<u>Fall 2014 Monterey</u>	<u>Spring 2014 Sacramento</u>	<u>Fall 2013 Indian Wells</u>	<u>Spring 2013 Napa</u>	<u>Fall 2012 Hollywood</u>
Cash receipts						
Conference	\$ 525,675	\$ 600,405	\$ 503,655	\$ 564,440	\$ 536,295	\$ 561,480
Total cash receipts	<u>525,675</u>	<u>600,405</u>	<u>503,655</u>	<u>564,440</u>	<u>536,295</u>	<u>561,480</u>
Cash disbursements						
Hotel and meals	242,932	256,075	154,322	328,405	189,939	257,884
Audio and visual	40,980	38,118	42,031	36,800	36,800	37,725
Program materials	32,726	25,711	42,182	46,851	38,822	44,073
Conference Administration	12,788	10,201	9,322	16,800	13,448	9,131
Other	-	4,466	1,750	-	2,601	-
Total cash disbursements	<u>329,426</u>	<u>334,571</u>	<u>249,607</u>	<u>428,856</u>	<u>281,610</u>	<u>348,813</u>
Net cash provided by conference	<u>\$ 196,249</u>	<u>\$ 265,834</u>	<u>\$ 254,048</u>	<u>\$ 135,584</u>	<u>\$ 254,685</u>	<u>\$ 212,667</u>
Total attendees	604	664	570	631	612	636



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

MANAGEMENT LETTER

To the Management
State Association of County Retirement Systems
Sacramento, CA, 95814

We have recently completed the audit of the financial statement of State Association of County Retirement Systems (SACRS) and have issued our report thereon dated August 16, 2016. In planning and performing our audit of your financial statement for year ending June 30, 2015, we applied generally accepted auditing standards (GAAS) as we considered your internal control over financial reporting as a basis for designing our auditing procedures. We did this for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of your internal controls.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Although our audit was not designed to provide assurance on the internal control structure and its operation, we noted certain matters that we are submitting for your consideration for the improvement of SACRS' accounting and financial reporting functions. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. We will review the status of these comments during our next audit engagement. This letter does not affect our report dated August 16, 2016 on the financial statement of the State Association of County Retirement Systems.

Current Year Recommendations

2015-1 Beginning Equity

Observation:

The beginning balance of equity per the books differed from the prior year audited figure by \$7,770. This was due to the auditor's reclassification of prepaid expenses to expense at June 30, 2014, in accordance with the cash basis of accounting.

Recommendation:

While this timing difference between fiscal year 2014 and 2015 will not affect future periods, we recommend that SACRS adjust for the difference so that its financial records match the audit.

Management Response:

In accordance with the auditors' prior year recommendation the Bookkeeper no longer uses the general ledger code for prepaid expense and no adjustment will be recorded for this timing difference.

Status of Prior Year Recommendations

2013-1 Classification of Revenue

Observation:

Fall 2013 conference revenues totaling \$9,150 were posted to the "General" Class in QuickBooks. This revenue should have been posted to the "Fall Conference" Class.

Recommendation:

We recommend reclassifying the income as of the original deposit date, similar to our RJE-1.

Management Response:

Bookkeeper identified this item independent of the audit and reclassified accordingly.

Status: Implemented

2013-2 Prepaid Expenses

Observation:

At June 30, 2014 and 2013, we noted activity in the "Prepaid Expenses" account on QuickBooks. SACRS uses the cash basis of accounting, no accrual of prepaid expenses is necessary.

Recommendation:

While we have detailed our reclassification of the prepaid expenses in RJE-2, we do not recommend adjustment to SACRS' books at this time. All of the underlying transactions are captured on the books, only the timing of the expense recognition will differ slightly from the audit.

Management Response:

Bookkeeper will no longer use the general ledger code for "Prepaid Expenses".

Status: Implemented

2011-2 Cash Management Policy

Observation:

The Cash Management Policy approved by the board on March 10, 2009 states that "one primary bank will have a commercial account for check responsibilities of the association...other three banks will be used for holding the association's reserves." As of June 30, 2011, SACRS had deposits in only two banks: Bank of America and Bank of Sacramento. Deposits with Bank of America were in excess of FDIC insured limits by \$532,212 at June 30, 2011.

Recommendation:

Auditor recommends that accounts be maintained with balances below the federally insured limits – i.e. no more than \$250,000 on deposit per institution. Further, the cash management policy and management's compliance with the policy should be reviewed at least annually by the Treasurer to ensure that the policy represents current facts and circumstances and that cash is being managed consistent with the policy.

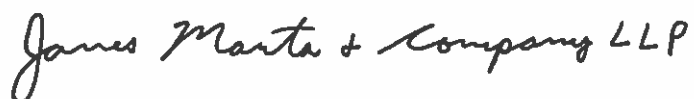
Status: Implemented

We believe that the implementation of these recommendations will provide State Association of County Retirement Systems with a stronger system of internal accounting control while also making its operations more efficient.

Management's responses to our recommendations are described above. We did not audit the Management's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management, and others within the association and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "James Marta & Company LLP".

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
August 16, 2016



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

INDEPENDENT AUDITOR'S REPORT

Board of Directors
State Association of County Retirement Systems
Sacramento, CA

In planning and performing our audit of the financial statement of State Association of County Retirement Systems (SACRS) as of and for the years ended June 30, 2015 and 2014, in accordance with auditing standards general accepted in the United States of America, we considered SACRS' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of SACRS' internal control. Accordingly, we do not express an opinion on the effectiveness of SACRS' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted certain matters that we have reported to management of SACRS in a separate letter dated August 16, 2016.

This communication is solely for the information and use of management, the board of directors, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
August 16, 2016



James Marta & Company LLP
Certified Public Accountants

Accounting Auditing Tax and Consulting

**COMMUNICATION WITH THOSE CHARGED
WITH GOVERNANCE**

Board of Directors
State Association of County Retirement Systems
Sacramento, California

We have audited the financial statement of the State Association of County Retirement Systems (SACRS) for years ended June 30, 2015 and 2014, and have issued our report thereon dated August 16, 2016. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 10, 2015, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with the cash basis of accounting described in Note 1 to the financial statement. Our audit of the financial statement does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statement IS free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of SACRS solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our report on internal control over financial reporting in a separate letter to you dated August 16, 2016.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

We follow the AICPA Ethics Standard Rule 201C, in conjunction with this, we annually review with all engagement staff potential conflicts and obtain a conflict certification. In addition, we inquire on each engagement about potential conflicts with staff. We have not identified any relationships or other matters that in the auditor's judgment may be reasonably thought to bear on independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by SACRS is included in Note 1 to the financial statement. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2015. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are typically an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. As the accounting of SACRS is prepared on a cash basis, no estimates are necessary for the preparation of the financial statement.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. We are not aware of any sensitive disclosures affecting SACRS' financial statement.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statement as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statement taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to SACRS' financial statement or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated August 16, 2016.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with SACRS, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as SACRS' auditors.

We are contracted to prepare the fiscal year 2015 federal Return of Organization Exempt From Income Tax, and related state filings, as well as the calendar year Forms 1099-MISC for SACRS. These returns will be prepared using audited financial data, where applicable, but our preparation of these returns does not constitute an audit. No audit opinion will be issued on the tax returns referred to above.

James Marta & Company LLP
Certified Public Accountants

This report is intended solely for the information and use of the Board of Directors, and management of State Association of County Retirement Systems and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

James Marta + Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
August 16, 2016



MANAGEMENT REPRESENTATION LETTER

August 16, 2016

James Marta & Company LLP
Certified Public Accountants
701 Howe Avenue, Suite E3
Sacramento, California 95825

This representation letter is provided in connection with your audit of the statement of cash receipts and disbursements of the State Association of County Retirement Systems (SACRS) for the fiscal year ended June 30, 2015, and the related notes to the financial statement, for the purpose of expressing an opinion on whether the financial statement is presented fairly, in all material respects, in accordance with the cash basis of accounting described in Note 1 to the financial statement.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of August 16, 2016:

Financial Statement

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated July 10, 2015, for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1 to the financial statement.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed.
- All events subsequent to the date of the financial statement which requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed.
- We have complied with all contractual agreements, grants, and donor restrictions.
- We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.



- We have accurately presented the entity's position regarding taxation and tax-exempt status.
- The bases used for allocation of functional expenses are reasonable and appropriate.
- We have included in the financial statement all assets under the entity's control.
- We have designed, implemented, and maintained adequate internal controls over the receipt and recording of contributions.
- Methods and significant assumptions used by management to determine fair values, their consistency in application, and the completeness and adequacy of fair value information for financial statement measurement and disclosure purposes are appropriate.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statement, such as records, documentation, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statement in accordance with the cash basis of accounting described in Note 1 to the financial statement.
- We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others when the fraud could have a material effect on the financial statement.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statement communicated by employees, former employees, analysts, regulators, or others.
- We have no knowledge of any noncompliance or suspected noncompliance with laws, regulations, contracts, and grant agreements whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statement and we have not consulted legal counsel concerning litigation or claims.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Supplementary Information in Relation to the Financial Statement as a Whole

With respect to the Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, Graphical Presentation of Cash Disbursements, and Conference Summary Report accompanying the financial statement:



- We acknowledge our responsibility for the presentation of the Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, and Graphical Presentation of Cash Disbursements in accordance with the cash basis accounting as described in Note I to the financial statement. We acknowledge our responsibility for the presentation of the Conference Summary Report which presents all cash receipts and expenses related to a specific regardless of timing of the underlying receipt or disbursement.
- We believe the Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, and Graphical Presentation of Cash Disbursements, including its form and content, is fairly presented in accordance with the cash basis accounting as described in Note I to the financial statement. We believe the Conference Summary Report, including its form and content, is fairly presented and inclusive of all cash receipts and expenses related to a specific regardless of timing of the underlying receipt or disbursement.
- The methods of measurement or presentation have not changed from those used in the prior period.
- When the Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, Graphical Presentation of Cash Disbursements, and Conference Summary Report are not presented with the audited financial statement, management will make the audited financial statement readily available to the intended users of the Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, Graphical Presentation of Cash Disbursements, and Conference Summary Report no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.

Additional Representations

- We have reviewed, approved, and taken responsibility for the financial statement and related notes.
- We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statement.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- All disbursements have been properly classified in the financial statement and allocations, if any, have been made on a reasonable basis.
- Deposit and investment risks have been properly and fully disclosed.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- We have disclosed to you all guarantees, whether written or oral, under which SACRS is contingently liable.
- SACRS has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have provided to you our views on reported audit findings, conclusions, and recommendations, as well as planned corrective actions.
- Regarding our tax filings prepared by James Marta & Company LLP:



- We are responsible for complying with tax filing requirements with the Internal Revenue Service, Franchise Tax Board, and other agencies, as applicable.
- We are responsible for establishing and maintaining effective internal control over compliance.
- We have performed an evaluation of the Association's compliance with tax filing requirements and we are not aware of any instances of noncompliance.
- We have reviewed and approved the tax returns prepared by your office.
- We have made available to you all documentation related to compliance with specified requirements.
- We assume all management responsibilities in regards to the tax filings and have designated an individual in management who possesses suitable skill, knowledge and experience to oversee these services.
- We have performed an evaluation of the adequacy and results of the services performed and assume all management responsibilities.
- We accept responsibility for the results of the services.



Sulema Peterson, SACRS Administrator



Dodie Wishek, SACRS Financial Services



Client: SACRS - State Association of County Retirement Systems
Engagement: SACRS15 - State Association of County Retirement Systems'
Period Ending: 6/30/2016
Workpaper: 2506 - Adjusting Journal Entry Report

Account	Description	Debit	Credit
Adjusting Journal Entry JE # 1			
To adjust beginning net assets to prior year ending net assets per the audit.			
2020	Retained Earnings	7,770.00	
1405	Prior Year Expenses		7,770.00
Total		<u>7,770.00</u>	<u>7,770.00</u>

October 14, 2016

To: SACRS Trustees & SACRS Administrators/CEO's
 From: Yves Chery, SACRS Immediate Past President, Nominating Committee Chair
 SACRS Nominating Committee
 Re: SACRS Board of Director Elections 2017-2018 Elections

SACRS BOD 2016-2017 election process will begin January 2017. Please review the following timeline and distribute to your Board of Trustees, per the bylaws:

DEADLINE	DESCRIPTION
February 1, 2017	Nominating Committee receives nominations from SACRS membership
March 1, 2017	Nominating Committee submits its recommended ballot to each 1937 Act Board
March 25, 2017	Nominating Committee receives nominations from any 1937 Act Board
April 1, 2017	Nominating Committee submits final ballot to each 1937 Act Board – ballot consists of recommended ballot plus anybody else who is nominated but not recommended by the Nominating Committee
May 19, 2017	Conduct elections during the SACRS Business Meeting (At end of the May 2017 conference)
May 19, 2017	Board of Directors take office for 1 year

Per SACRS Bylaws, Article VI ~ Section 2 – Election, Qualification and Term of Office

“The officers of SACRS shall be regular members of SACRS. The officers shall be elected by majority vote of the quorum of delegates and alternate delegates present at the first meeting in each calendar year and shall hold office for one (1) year and until a successor is elected.”

Per SACRS Bylaws, Article VI ~Section 4 - Officer Elections

“...The Board of any regular member County Retirement System may submit write-in candidates to be included in the Nominating Committee’s final ballot provided the Nominating Committee receives those write-in candidates prior to March 25th.

The Nominating Committee will report a final ballot to each regular member County Retirement System prior to April 1.

The Administrator of each regular member County Retirement System shall be responsible for communicating the Nominating Committee's recommended ballot and final ballot to each trustee and placing the election of SACRS Officers on his or her Board agenda. The Administrator shall acknowledge the completion of these responsibilities with the Nominating Committee..."

Interested candidates should submit their letter of intent and brief bio to the Nomination Committee no later than the cut-off dates listed in the schedule. The elections will be held at the SACRS Spring Conference May 16-19, 2017, at the Napa Valley Marriott in Napa, CA. Elections will be held during the Annual Business meeting on Friday, May 19, 2017.

If you have any questions, please contact me directly at ychery2013@gmail.com. Thank you for your prompt attention to this timely matter.

Sincerely,

Yves Chery

Yves Chery, Los Angeles CERA Trustee
SACRS Nominating Committee Chair

CC: SACRS Board of Directors
SACRS Nominating Committee Members
Sulema H. Peterson, SACRS Administrator

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

November 7, 2016

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

SUBJECT: GMO TERMINATION AND PORTFOLIO TRANSITION

Dear Board Members:

The Board voted to terminate its relationship with global equity manager GMO at its meeting of September 19, 2016.

GMO liquidated VCERA's \$212,121,633.99 exposure on trade date September 28. Concurrently VCERA's cash overlay manager Parametric equitized the trade date value, rounded to \$212,000,000.

GMO deducted an exit fee of 18 basis points in the amount of \$381,818.94, resulting in net cash proceeds of \$211,739,815.05. The net cash proceeds were transferred by GMO to Parametric over settlement dates 9/29, 10/4, and 10/5.

On trade date 10/13/2016, Parametric unwound the overlay, and the \$212,000,000 exposure was moved to VCERA's global equity index manager Blackrock. The transaction costs incurred by Blackrock totalled \$84,307.87. On 10/14/2016, the cash was transferred from Parametric to the Blackrock account.

The total explicit cost of the transition was \$466,126.81.

Sincerely,



Dan Gallagher
Chief Investment Officer



VCHRP Steering Committee

DATE: October 16, 2016

TO: Ventura County Employee Retirement Association (VCERA)
Linda Webb, Retirement Administrator
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

FROM: VCHRP Steering Committee

SUBJECT: **Response to VCERA Programming Request, July 18, 2016**

This letter serves as written response to the request by VCERA's Retirement Administrator, Linda Webb for **Read Only Access** to VCHRP to enable VCERA the ability to diagnose their data or system issues more proactively.

It is our understanding that retirement associations typically do not have access to payroll systems they service primarily because the payroll system contains additional confidential and private information that is not pertinent to the administration of retirement plans, i.e. matters such as health plan enrollments, garnishments, and another personnel related matters. However, it is our intent to provide VCERA all the information that is needed for the efficient and full administration of the retirement system. To that end; the VCHRP Security Administrator analyzed the current VCERA configuration and bi-weekly data files provided by the county to VCERA and determined the following:

- That all the data requested by VCERA are contained in the current data feeds, other than a small subset of data found in four tables. It is recommended that this data be provided in a separate interface file.
- To be consistent with decentralized timekeeping departments/agencies, a recommendation to modify access to menus, tables and query access for those VCERA employees who provide payroll clerical services for VCERA employees only is proposed.
- Upon review of the access requested, and our proposal to add additional data elements in an independent bi-weekly file, the county proposes a meeting to conduct a walk-through of the comparison of the requested data with the current and proposed bi-weekly data files received for VCERA.

Please let the VCHRP Steering Committee know if there are any questions and provide us with potential dates and times we can coordinate a walk-through of the comparison analysis.

Many thanks!

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>

November 7, 2016

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

**SUBJECT: AUTHORIZATION OF STAFF TO EXECUTE PROFESSIONAL SERVICES
CONTRACT WITH I.T. RESOURCE**

Dear Board Members:

Background

At the October 17, 2016 business meeting, staff received Board approval to execute a professional services contract with Charles Herrick for I.T. services. After agreeing verbally, Mr. Herrick subsequently withdrew his interest, citing reluctance to enter a temporary arrangement.

Given that this is the 2nd occasion of a Board-approved contract not being executed, staff now requests the Board's authorization to execute a similar contract with a qualified resource in an amount not to exceed the budgeted by the Board for this purpose for this fiscal year. (Given that the budgeted amount reflected a year's estimated cost, a considerably lower amount is anticipated.) The resulting contract would be subject to Counsel's review and approval.

**RECOMMENDATION: AUTHORIZE STAFF TO EXECUTE PROFESSIONAL SERVICES
AGREEMENT WITH QUALIFIED I.T. RESOURCE, NOT TO EXCEED APPROVED
BUDGETARY ALLOCATION AND SUBJECT TO COUNSEL APPROVAL.**

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

Sincerely,



Linda Webb
Retirement Administrator

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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October 17, 2016

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

SUBJECT: QUARTERLY RETIREMENT ADMINISTRATOR'S REPORT FOR THE
PERIOD OF JULY – SEPTEMBER 2016

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 July through September of 2016.

General

July through September continued to be heavily focused by the pending conclusion of the PAS project initial timeline. Activity related to this included working through developments and issues with vendors, coordination with the project team, Board reporting and strategies to minimize future engagements with outside resources.

During this quarter, Board Clerk (Program Assistant) Stephanie Caiazza accepted a position in Operations, and Technical Specialist IV Chris Ayala began training to take on the Program Assistant duties going forward. He is working diligently to learn the duties and is progressing well.

Progress slowly continued on development of the new logo, expanding on concepts previously identified.

In July, efforts continued to resolve transmittal errors/issues and our request for read-only/query access to the retirement tables in VCHRP was presented to the VCHRP steering committee. We anticipate a response from them at any time.

On PEPRAs pensionable compensation, staff continued to work with outside counsel on the analysis of the County of Ventura's submission of materials related to market-based premium pay (MBPP) items in response to the Board's request. At the September 19th business meeting, I updated the Board on the status of this request, indicating that County HR had requested a meeting to collaborate on a method to post MBPP items in a publicly available pay schedule that meets PEPRAs requirements.

Travel & Training

On August 16th & 17th, I served as an interview panelist for the City of Los Angeles' recruitment of Assistant Retirement Plan Administrator. It was helpful to see their recruitment process, learn about their plan provisions and assist another plan in their personnel efforts.

In late September, I attended the annual CALAPRS Administrators' Institute in San Diego. This annual training is perhaps the most valuable I attend each year. The ability to compare notes with my colleagues and learn from each other has allowed VCERA to benefit from the experiences and insights of other CERL systems (and vice versa).

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; we recently received notice that the tax penalty was indeed waived, so that outcome was positive.

Media

In September, I responded to a media inquiry from the Ventura County Star regarding the VCERA Education & Travel Policy in regard to due diligence travel.

Key Meetings

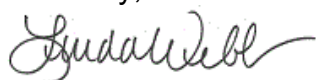
Apart from meetings directly related to the items already mentioned, I participated in several meetings related to AB 1291 implementation, met with Digital Deployment on web development planning, Linea on their MSS rollout plan and on defect remediation issues, and worked with Diligent on implementation of Board Books. I also worked with Stroud Design and made modest progress on the developing VCERA logo.

In July and August, several conference calls with Vitech helped move along the search for an I.T. resource and to negotiate a change to the hosting agreement to allow for adjusting our data querying capabilities.

On the afternoon of July 18th, I attended the County's VCHRP Steering Committee meeting with Chair Towner and COO Julie Stallings to explain our request for read-only/query access to the retirement tables.

Please contact me with any questions about the information in this report.

Sincerely,



Linda Webb
Retirement Administrator

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November 7, 2016

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

Dear Board Members:

As I believe you know, AB 1853 (Cooper) which was sponsored by SACRS and was passed in the last legislative session, was vetoed by the Governor. This bill would have authorized the retirement boards operating under the County Employees' Retirement Law of 1937 (CERL) to modernize the operating authority structure for their subsystem so that they could continue to fulfill their mission and meet the fiduciary responsibilities they owe to their stakeholders.

To date, the only systems that have succeeded in changing their operating structure are OCERS, SBCERA, CCCERA and, most recently, VCERA. Each structure is different. They vary from explicitly named classifications (the VCERA model), to broad categories of employees, or to all employees who perform work for the retirement system. This bill would have allowed all CERL systems to choose to adopt the OCERS, SBCERA, or CCCERA model, or change from one model to another, but did not mandate any action. You'll note that the VCERA model was not one of the choices. The SACRS Legislative Committee did not include the VCERA model since they considered the VCERA model to be the least desirable of all.

AB 1853 would also have insured that employees of the retirement system would have affording employees the opportunity to participate in group health and dental plans, among other plans and programs. It would also have granted a retirement system electing to adopt new operating provisions the authority to adopt the regulations and enter into the agreements necessary to implement them, and would have required counties to cooperate and act in a timely manner to establish and implement agreements in this regard.

The Governor's veto message was: "This bill authorizes the retirement board of any county retirement system, operating under the Retirement Law of 1937, to unilaterally separate from the county where it operates. This is too far-reaching. Previous bills that authorized a county retirement system to become independent were the result of agreement between the county and the retirement system. This more collaborative approach better serves the public interest." It was probably based on an idealistic viewpoint, rather than the reality of difficulties CERL systems have with the sponsoring county, or was flavored by his negative experiences with CalPERS.

Because of their knowledge of VCERA's experiences with passage of AB 1291, and the difficulties that ensued in implementation of our bill, the SACRS Legislative Committee has asked if VCERA would be willing to write to the Governor in response to his veto message. Tracy Towner and I recommend that we do so.

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

Respectfully,



Arthur E. Goulet
Retiree Member

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November 7, 2016

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

SUBJECT: WALTER SCOTT DUE DILIGENCE VISIT

Dear Board Members:

VCERA Board Trustee Will Hoag and CIO Dan Gallagher conducted an on-site due diligence visit at the Edinburgh offices of Walter Scott on October 4 and 5, 2016. We met with the Executive Management team and section heads who described the Walter Scott commitment to the business and to VCERA as a client; provided a firm update and overview including reporting lines, personnel turnover, and succession planning; compensation philosophy and structure; and internal communications / meetings frequency, etc.

We also reviewed how Walter Scott has added value over passive investment management over time; the reasons for non-U.S. investment; the investment process, security evaluation and selection; the use of currency hedging; and portfolio construction, including a discussion of active share. We discussed the job of research as a career track at Walter Scott; sources of data; manager visits, and the impact of Brexit on the organization and personnel.

Next, we reviewed trading procedures and implementation; broker selection and best execution; soft dollar usage; counterparty risk, etc. We also reviewed client administration, including middle and back office operations, trade communication, reconciliation, accounting, valuation methodologies; IT operations, and security. We met with legal and compliance and reviewed both current procedures and schedules of audits, guideline adherence tools and flags, personnel trading policies and litigation.

In concluding our visit, we discussed continuity and disaster preparedness planning, current and back up facilities and equipment, and finished with a tour of the facility.

We found no due diligence concerns.

Attached please find our detailed due diligence report.

Respectfully submitted,



Will Hoag, Trustee



Dan Gallagher, Chief Investment Officer

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ATTACHMENT

Below is a due diligence report of a visit to the offices of Walter Scott on October 4 and 5, 2016 by VCERA Board Member Will Hoag and CIO Dan Gallagher.

Walter Scott & Partners Limited

One Charlotte Square
Edinburgh EH2 4DR, UK

Walter Scott Personnel

We met with the following Walter Scott personnel: Executive Chairman Rodger Nisbet; Managing Director Jane Henderson; Director Roy Leckie; Co-Head of Research Investment Manager Alex Torrens; Investment Manager Murdo MacLean; Head of Dealing (Trading) Keith Bilton; Senior Manager Portfolio Implementation Team Jamie Mayer; Head of Operations Stuart Haddow; Co-Head of Investment Operations Hilda West; Head of Client Administration Mark Braid; Head of Information Technology Gordon Inglis; Chief Compliance Officer Anna Nicholl; Client Manager Stephanie Ferris; and, Client Investment Manager Margaret Foley.

Day 1, Tuesday, October 4, 2016

Overview

We began our meeting at approximately 1200 hours with Margaret Foley who provided an introduction to the firm. We were subsequently joined by Managing Director Jane Henderson. Jane described her history with the firm, background, and current roles and responsibilities within Walter Scott (WS).

VCERA hired WS in December 2010. VCERA's initial contribution was in the amount of \$48,953,578, and subsequently added \$23,725,000 for a total contribution of \$73,678,578. As of September 30, 2016 the account market value had grown to \$101,897,218, earning a return of 4.8% *net of fees per annum*, compared with an ACWI ex-U.S. benchmark return of 1.9%.

Firm Structure and Ownership

Jane provided an overview of the history of the firm. WS was founded in 1983 by Walter Scott and Ian Clark, both previously at investment management firm Ivory & Simes. In 2006 Walter Scott was purchased by Mellon Financial, and in 2007 became a wholly owned subsidiary of the merged Bank of New York- Mellon (BONY). All of WS's operations are based in Edinburgh, with computer and technical support provided by corporate parent, BONY. WS operates autonomously with its own Board of Directors, investment style, and philosophy.

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WS is registered with the appropriate regulatory bodies in the U.K., United States, Canada, and South Africa; is authorized to perform asset management services via European Union directives in other EU and member states; and operates under exemption in Australia and Japan.

Governance

WS operates with a Board of Directors consisting of Walter Scott's Executive Chairman, Managing Director, Co-Heads of Investments, Co-Head of Investment Operations, Finance and HR, and the CEO of BONY Investment Management. The Board sets firm policies, and oversees and delegates authority and responsibilities through various committees and operating groups which meet formally, and regularly report to the Board. Committees and their reports include the following:

- Executive Management Committee
 - Business Governance
 - HR & Finance Oversight
- Investment Management Group
 - Investment Research
 - Investment Operations
 - Trading
 - Portfolio Implementation
- Client Service Group
 - Communications
 - Client Management
- Operations Group
 - Client Administration
 - Information Technology
 - Performance
 - Client Reporting
 - Business Intelligence
- Remuneration and Nominations Committee
- Risk and Compliance Committee
 - Risk and Compliance

In addition there is a Walter Scott external Advisory Group which provides Executive Management with business governance best practices and experienced counsel. Managing Director Jane Henderson has day to day responsibility for the direction and management of the business.

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Staff

The firm currently employs 125 staff, 37 of which are on the investment team. Many roles within the firm require staff to pass relevant external examinations as a condition of continued employment.

The firm runs a training and development program which aims to train staff in various areas of the business. Most staff members are required to complete a minimum of 35 hours continuing education and professional development annually. In addition, all employees must complete a number of BONY computer-based training courses throughout the year covering a range of regulatory and compliance topics such as code of conduct, financial crime, anti-corruption and Volcker Rule training. Also, the Risk and Compliance team issues quarterly memos to all employees with reminders of updates or amendments to regulations, breaches, and complaints reporting.

Training is viewed as an 'apprenticeship' undertaken over many years rather than solely a matter of exam success. Over the first two years, a new member of the Investment team will typically spend time in each area of the business and undergo in-depth training in the mechanics of Walter Scott's investment process. The end goal over many years is the development of a global investment manager with experience of analyzing and investing in companies across geographies and sectors. From the firm's perspective, it is also the creation of a working environment that will meet career aspirations of new graduates over the long term.

Compensation

Everyone in the firm is eligible to participate in the firm's annual profit share, which is a fixed percentage of the firm's operating profits. This is the sole source of incentive compensation. Investment, operations, compliance and client service staff are all focused upon the same goals of providing superior performance and service to clients. Success in these goals drives the firm's profits and therefore the profit share.

Compensation awards are based on the same basic principles for all staff in the firm. However, the relative weights of base salary and profit share are determined according to seniority and experience.

For senior staff, the majority of annual compensation is the profit share. An element of this is deferred via a long-term incentive plan, largely invested in a long-term global equity fund where Walter Scott is the investment adviser. A smaller proportion is invested in BNY Mellon stock. Both have a deferral period which vests on a pro-rata basis over four years.

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For those in the Investment Research team, long-term performance will be one of a number of considerations in determining an individual's profit share. Meaningful contribution to team discussions, research efforts, stock picking success and support of colleagues across the firm in serving clients are among other factors considered.

Succession Planning

WS has a strong belief in continuity. Consistency in investment approach has been key to Walter Scott's success, and the firm's culture plays an important role in protecting that consistency. The firm's current management team are committed to ensuring continuity of that culture, and in that context, it falls to them to identify and develop the next generation of leadership.

With a small team, WS believes there is no need to formally differentiate between members of the team, but over time some will naturally assume more senior corporate responsibilities, as the current management team did a decade ago.

Investment Team Structure

Roy presented an overview of Investment Team structure. He echoed a theme which continued throughout our visit of how Walter Scott's investment staff work closely together in an open and collegiate environment.

There are currently 37 members of the broad Investment team, incorporating Executive Management, Investment Research, Investment Operations, Trading (Dealing), Portfolio Implementation, and Client Service.

Alex joined Roy in describing the structure and functions of the Research Team. The Research team is headed by Alex Torrens and Alan Edington. The Research team is grouped into three geographic regions: Europe, the Middle East, and Africa (EMEA); the Americas; and Asia Pacific. All three groups occupy the same floor of the firm's office in Charlotte Square, Edinburgh. The members of the regional groups are interspersed around the floor to encourage discussion across geographies, and to support a collegiate ethos within the Research team.

The firm's global approach to investment management is achieved by periodically rotating investment personnel around the three regional teams. Re-shuffling the regional groups every two to three years enables individuals to gain experience of analyzing companies across the global investment universe.

The regional grouping aids company visits and economic knowledge. All new investment ideas are subject to the same scrutiny, and are discussed and debated by the broad Investment team, thereby bringing the team's collective experience and expertise to bear on all decisions.

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Decision Making Process

The investment decision-making process is team based. All stocks held in portfolios have a 'stock champion' who is responsible for monitoring news flow, results, and performance. The champion is normally the individual within the Research team that originally proposed the investment. Stock champion responsibilities typically remain unchanged, despite the periodic rotations of the regional teams. Any abnormal issues are highlighted and discussed on a weekly basis, resulting in all members of the team being knowledgeable about all stocks held. Additionally, each member of the Investment team actively monitors a further list of potential future investments.

A **buy** proposal must obtain unanimous backing of the Research team before a stock may be considered by "The Executive", which consists of Executive Chairman, Managing Director, and the two Investment Directors. This group is quorate with two or more members, and whose final approval is required for any stock which enters the portfolio.

A **sell** decision requires only one well-researched dissenting argument. However, as in the buy decision, the final decision making authority is held by "The Executive". There is therefore, a deliberate asymmetry in the buy and sell decision making processes.

In practice, it is rare that a single dissenting voice will prompt a sale. It is much more common that the team will collectively recognize that the investment rationale for a particular stock has deteriorated or changed and therefore the decision will be taken to sell the position.

From a portfolio management perspective a number of controls are strictly observed. A stock will also be sold or reduced under the following criteria:

1. The investment reaches 5% of the portfolio value. Review frequency increases above 3% and there is a mandatory cut at 5%.
2. The valuation of a stock has appreciated significantly ahead of its intrinsic value.

Where the sale of an individual holding reflects a breakdown in the investment rationale, the sale will similarly be discussed and debated by the team. A sell decision might be considered over time, following a number of meetings or conversations with the company concerned. Alternatively, a sale may be a much quicker decision, as a result of an announcement or change in strategy that undermines the investment case or the Research team's trust in the management of that company.

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Products

WS currently has \$14 billion in investment mandates similar to that managed for VCERA, and \$60 billion in total firm assets under management. WS constructs and calculates composites of portfolios invested in equities. They include US dollar composites for EAFE, global, European, and emerging markets mandates. Others include Canadian dollar composites for EAFE and global mandates. Clients include public funds, corporates, endowments and foundations, as well as sub- advising for other investment managers.

Style and Approach

The firm employs a bottom-up, fundamental, original research driven, buy and hold approach to investment management. The portfolio holds 40 – 60 growth stocks.

In constructing its investible universe, analysts screen for companies that have the following attributes:

1. Leading market position in its industry, sustainable profit margins, and are in industries with attractive market dynamics;
2. In markets with high barriers to entry, customer concentration;
3. Have a competitive product offering and position;
4. Strict financial control in terms of accounting methods, balance-sheet management, and working capital;
5. Profitability, strong cash flow, cash return on investment, and sustainable margins;
6. Experienced management team with a strong track record;
7. Large free float market capitalization with strong trading volume.

The universe is further narrowed by selecting companies with low debt, high rates of internal wealth generation, and largely self-financed growth prospects over the long term. From this process the portfolios are built bottom up, stock by stock, and monitored daily. The resultant sector and geographic allocation is a consequence of this process.

WS' objective is to maintain and enhance the after-inflation purchasing power of their assets. Walter Scott targets long-term, annualized real returns of 7-10% per annum over a full market cycle.

Performance

As of June 30, 2016, the portfolio has outperformed its benchmark (EAFE) for VCERA significantly over one, three, five years on an annualized basis, net of fees. Over a 10 year period, downside capture (during down months), WS has outperformed the index, capturing 69% of what the benchmark lost. For upside capture (during up markets), WS earned 84% of

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the market's outperformance. This track record demonstrates protection in down markets, while participating in up markets.

Risk and Portfolio Management

In line with Walter Scott's bottom-up focus, risk is considered in terms of the risks inherent in each investment, so careful and consistent selection and monitoring of each holding is their principal feature of risk control. This involves input at a number of levels within the firm.

Individual stock champions: All stocks held in portfolios have a 'stock champion' who is responsible for monitoring news flow, results, and performance. Any abnormal issues are highlighted and discussed on a weekly basis resulting in all members of the team being knowledgeable about all stocks held.

The Research team monitors all holdings via a daily report which details valuation and recent price movements. A more detailed weekly report monitors company results including growth rates, profitability ratios and valuation metrics.

The Investment Management Group (IMG): The investment process is supervised by the IMG, made up of directors and senior members of the Investment Team. It meets weekly to ensure that portfolios are suitably invested and that the quality of research and stock monitoring remains as high as possible.

The Risk & Compliance (R&C) team: At the organizational level, this team is responsible for monitoring and assessing the controls and processes currently in place. Weekly reports of any issues or breaches are provided by each of the three key operational teams: Portfolio Implementation, Trading, and Client Administration. On identification of an issue or breach, the R&C Team works with the relevant business area to identify the root cause and resolution. Changes to the process are then discussed to ensure there is no recurrence.

An annual trend analysis is carried out by the R&C Team to detect any patterns and this is reported to the R&C Committee and the Board.

We concluded the day at approximately 1700 hours.

Wednesday, October 5, 2016

On our second day of due diligence, we began our meeting at approximately 0930 hours with Keith Bilton, Jamie Mayer, and Margaret Foley.

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Dealing (Trading)

Keith and Jamie noted that WS uses brokers only on an agency basis. Due diligence is performed on all broker counterparties and the firm maintains an authorized broker list. Risk mitigation is primarily provided by investing in publicly traded securities, settling via delivery versus payment.

The firm maintains an authorized broker list consisting of approximately 50 brokers. Trades may only be executed through those on the list. The firm's Trading team has full discretion to select brokers from the authorized list. The Investment Operations team monitors broker usage and commission rates paid on a quarterly basis.

Walter Scott's use of soft dollars is limited to independent research which complements in-house research.

Trade decisions flow from investment research. Once an investment decision has been made, the Portfolio Implementation team generates the trade order and allocations accordingly in their trade order system (Charles River). Traders do not have the authority to instigate trades without discussion and sign off from an investment director or senior investment manager.

Following pre-trade compliance checks and strict sign-off procedures, orders are sent to the trading desk for execution. All trading is conducted through the firm's centralized trading desk which has full discretion to execute trades; selecting brokers, and deciding on tactics of the trade.

The trade matching process is separated from the trading function. Once trades are executed and allocated, they are matched by the Client Administration team via a third-party electronic order matching system (Omgeo CTM). Following the generation and execution of the trades and foreign exchange transactions, the Client Administration team advises the custodian banks of trade details and monitors the settlement process.

All trades are subject to a number of automated pre-trade compliance checks. Relevant regulatory rules, house rules, and client-specific portfolio restrictions are coded into the trade order system, which facilitates an automated pre-trade compliance check to identify any relevant alerts or warnings of potential breaches.

All alerts and warnings can be overridden; however, every trade must be verified and authorized by another authorized trade originator. System permissions prevent unauthorized trades reaching the trading desk and prohibit trading desk personnel from amending orders. Any such change must be passed back to the Portfolio Implementation team for amendment/cancellation.

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A reason must be annotated for any amendment/cancellation, and the system time stamps the activity. We were subsequently joined by Stuart Haddow, Mark Braid, and Gordon Inglis.

Portfolio Monitoring

Stuart and Mark described how portfolios are valued on a daily basis and cross-checked against relevant regulatory rules, house rules, and client-specific portfolio restrictions coded into their portfolio management system. Investment mandate restriction monitoring is carried out by the firm's Portfolio Implementation team. Portfolio guideline breaches are escalated to the firm's senior management and R&C team.

The Portfolio Implementation team checks that all activity is correct for each mandate. Any changes or amendments to existing guidelines made by the Portfolio Implementation team are reviewed by the R&C team on a daily basis. A sample review of existing client guidelines coded into the portfolio management system is conducted by the R&C team on a quarterly basis.

Breaches of client guidelines are detected promptly due to the monitoring process. Subject to the details of the specific breach, Walter Scott would compensate the client portfolio for any direct losses incurred as a result of an error made by the firm. Generally, gains are retained by the client should a profit arise from the error. Errors that could be reasonably netted against loss-making errors of the same type are netted out. All errors are fully disclosed to the client in order that an agreement is reached as to the appropriate course of action to resolve the error. The use of brokerage commissions to absorb trading errors is not permitted. All trading errors are reported to senior management and the R&C team which maintains a register of breaches.

Valuation Policy

Investments are made in publicly traded equity securities with readily available prices (Level 1 assets as defined by ASC 820). All securities are priced and stored in the firm's systems daily. End of day prices are received from two separate data providers, Reuters (primary pricing source) and Bloomberg, which are reviewed for differences, and missing or stale data.

Where the reasons for missing or stale prices are considered to have a potentially material impact on the 'fair value' of a security, a pricing & valuation committee, a sub-group of the IMG, will be convened to agree to a 'fair value' price based upon all available market information. The agreed price will be reflected in the portfolio accounting system and client valuations. Any securities so assigned a 'fair value' will be noted as such.

Daily cash reconciliations are prepared by the Client Administration team to verify that Walter Scott's accounting positions match the custodian's records for all trade settlements, dividends, cash flows and any other receipts or disbursements. Unexplained non-reconciled items

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(currently over \$50) are followed up for resolution with the custodian. A daily checklist is completed to ensure all accounts have been updated.

Portfolios are valued for internal purposes, such as compliance monitoring, against portfolio guidelines on a daily basis using local closing market prices, which are sourced from Reuters and Bloomberg. For valuation to be 'fair-valued', the pricing source utilized is FT Interactive data.

Risk & Compliance

We met with Anna Nicholl, Chief Compliance Officer and Head of Risk, who is supported by a compliance officer, two compliance managers, a risk officer, a compliance analyst, and a compliance administrator who report directly to her. Anna reports to the Managing Director, and also reports to the Head of Risk and Compliance at BONY EMEA Investment Management.

The R&C function is independent of all other operations within Walter Scott. Its key objectives are: to work with management and staff to identify and manage regulatory and business risk; to support the firm in its requirement to comply with relevant laws, regulations and internal procedures; and, to ensure the firm's systems of internal control, which are the responsibility of senior management, are adequate to measure and manage the firm's risks.

The R&C team has responsibility for administering, updating, reviewing and monitoring all risk and compliance aspects of the business. The team maintains a risk matrix covering perceived general firm-wide risks. Also, there is a risk-based compliance monitoring program designed to test adherence to internal systems and procedures as well as regulatory requirements.

Policies and Procedures (P&P) have been codified into a manual designed to ensure the firm meets regulatory, legal and best practice requirements in all jurisdictions in which the firm operates. Written policies are assessed on a regular basis as part of the broader risk-based compliance monitoring program. Revisions to the P&P are approved by the Risk and Compliance Committee. The updated P&P manual is then circulated to all staff who must confirm that they have read and understand the policies contained within it.

Tom Sneddon, Head of Business Governance, is the designated Anti Money Laundering (AML) Senior Manager. The Business Governance team has day-to-day responsibility for the application of the firm's AML systems and controls.

Walter Scott is legally required to identify its customers' status in accordance with Know Your Customer (KYC) regulations. WS gathers information and carries out a variety of background checks including sanction screenings on new clients and their directors/controllers against lists

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issued by economic sanctioning bodies in the U.K. and in the U.S. BONY systems check this information on an ongoing basis.

Client assets are held by the custodian bank (Northern Trust) of the fund, which reduces the potential for fraud within the firm. There are no known situations in the history of the firm where fraud has occurred.

Walter Scott has its own personal trading policy which prohibits employees from purchasing single equities, with the exception of BONY stock. Employees are permitted to invest in specified fund of fund investments. Employees can also invest in a U.K.-based fund which is sponsored by BONY, with Walter Scott acting as investment adviser. This fund is also included as part of the long-term incentive plan. The purchase of units or shares in any other fund where the firm acts in a sub-advisory capacity is forbidden.

Walter Scott is subject to periodic internal audits performed by BONY's Internal Audit Department, which is responsible for auditing each corporate subsidiary.

BONY's Internal Auditors visited Walter Scott in May 2007, July 2009 and February 2011 and covered all aspects of the firm. In 2013, Walter Scott moved to an annual visit cycle by BONY, with the 2013 visit covering Investment Research; Trading; Portfolio Implementation; Performance; and, Anti-Money Laundering. In June 2014, an audit covered Client Service and Operations. In March 2015 an audit was performed on Risk & Compliance. The rating for audits conducted in 2013, 2014, and 2015 were satisfactory with no issues identified.

Walter Scott has never had a visit from any regulator with the exception of routine visits from its primary regulator, the FCA, and there have never been any significant issues arising from any such visits.

Litigation

Neither Walter Scott nor any senior member of the firm has ever been the subject of any regulatory or legal investigation, nor involved in any litigation involving claims against the firm or any of its principals or investment professionals; and, there are no known pending legal proceedings

Information Technology

Gordon Inglis heads up Walter Scott's Information Technology department. Gordon said he is supported by two IT senior managers, three IT managers and two Desktop Support Engineers. Gordon is responsible for all aspects of Walter Scott's IT, and reports to the Head of Operations.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
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Twenty-four hour infrastructure/network support is provided by BONY's Technology Services Group (TSG). WS's telecommunications, email, and internet are hosted via BONY's OneNet global internal network system.

Servers for the firm's investment accounting and performance system (Eagle) are managed and hosted by Eagle Access in Pittsburgh. Charles River technology is managed and hosted by BONY in its Tennessee data center. The firm also utilizes the services of Reuters and Bloomberg.

Salesforce.com has been implemented within the firm primarily as a business intelligence and client service tool. The data in Salesforce is hosted in a secure private cloud and is copied in its entirety back to the firm's file system on BONY's NetApp environment at its data center in Woking, Surrey in the United Kingdom.

At Walter Scott's office in Charlotte Square, Edinburgh, IT hardware and software is held in a secure, climate controlled communications room. All server and communications equipment and desktop PCs are protected from power outages by an uninterruptible power supply (UPS) system. In addition, the office has a diesel powered back-up generator, which can power all operations for 24 hours before requiring refueling.

Business Continuity

Walter Scott's Disaster Recovery Procedures form part of an overall Business Continuity Plan (BCP) enabling the firm to plan a recovery of business operations for any event which prevents access to its Charlotte Square, Edinburgh, premises.

The firm currently has a contract in place with a third party (SunGard) which enables the use of a special purpose built facility approximately 15 miles outside Edinburgh for any disruptive events that may occur. Should that facility be unavailable for any reason, the contract allows Walter Scott to utilize the same service in an alternate site 200 miles south of Edinburgh in Leeds.

Margaret took us on an office tour. Following the office tour, we concluded Day 2 of our due diligence visit with Walter Scott at approximately 1200 hours.

We found no due diligence concerns.

Respectfully submitted,



Will Hoag, Trustee



Dan Gallagher, Chief Investment Officer

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November 7, 2016

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

SUBJECT: WALTER SCOTT INVESTMENT CONFERENCE

Dear Board Members:

Following the due diligence meetings with Walter Scott Investments, Dan Gallagher and Will Hoag attended their Investment Pre-Conference and Conference meetings held on October 5-7 2016.

The firm presented a "deliberately diverse" group of speakers to discuss both threats and opportunities that companies must anticipate and adapt to in the coming decades in order to maintain growth and profitability. Many, if not all, of the presenters would be "keynote quality" at conferences we typically attend.

Lord William Hague, former leader of the House of Commons, and former British Foreign Secretary, spoke about Brexit. While he was, and is, opposed to it, he said that there was no choice but to put it up for a vote. Although many are having second thoughts, he expects that Theresa May, the new Prime Minister, will press ahead with implementation. If the UK is outside the EU, there must be a mechanism for EU workers to easily enter the UK, or there will be a labor shortage.

Sir Angus Deaton, Princeton professor of economics, and 2015 recipient of the Nobel Prize for Economics, spoke about global poverty and inequality. Wage inequality data has existed since 1750, and while wages have improved since the nineteen sixties, there is some distance to go for economies to thrive.

Rory Sutherland, Vice Chair of Ogilvy Group, an international advertising company, told us that marketing and advertising in the future will be more psychological than technical. Rather than spending billions to speed up the train (an engineering solution), improve the experience while riding on it. Raising the price of an item can sometimes increase sales, in spite of what the accountants and economists say. Would you expect to compete with Coca-Cola with a product that costs more, comes in a smaller can, and (in his words) tastes disgusting? Red Bull has.

Ian Goldin, Oxford professor and futurist, is a former vice president of the World Bank. Aging populations, technology advances, climate change, and other factors make it difficult to manage change. We will stumble from one crisis to another, until a huge one forces systemic change. We need to preempt disaster by promoting debate and action now.

Elroy Dimson, of the Cambridge Business School, believes that when it comes to social investing, vice earns better than virtue. Investors prefer alcohol, tobacco, and gambling.

David Pilling of the Financial Times described the U.S international policy “pivot”, or shift in interest, from the Middle East to Asia with diplomacy and military buildup.

Susan Greenfield, Oxford neuroscientist, described life in the brain from dawn to dusk, changes from youth to old age, and implications for depression and dementia research. She also discussed the impact of electronic technology on our brains, and our attempts to adapt to it.

Peter Marsh, journalist, formerly with the Financial Times as its Manufacturing Editor, traced the history of manufacturing and how Europe, Japan, and the U.S. can continue to have a manufacturing sector by careful adaptation. Much of future manufacturing will be custom made items, rather than mass production.

Peter Frankopen, Director of Oxford's Center for Byzantine Research, described how the West is not just the heir to European and Greco-Roman culture, but owes much of its traditions to the Middle East and Central Asia, by a number of interconnections not considered by other historians.

Sarah Harper, Oxford gerontologist, described how changes in population and demographics will occur over this century. People are living longer, and 100 year olds will be much more prevalent than today. More people are dying of obesity than malnutrition. The past predictions of an ultimate 24 billion world population have been adjusted to about 10 billion, due to fewer children being born worldwide.

Paul Marsh of the London Business School (not related to Peter Marsh above) reviewed investment returns of all types since 1900. He agrees with the long term strategy of Walter Scott, but cautions investors not to expect the high returns of the past in the near future, and be sure to diversify.

Leo Johnson, sustainability expert, spoke on his view of the city of the future in light of climate change, depletion of fossil fuels, pollution, and population growth.

Mark Papa, former Chairman and CEO of EOG Resources, and Bassam Fattouh, Director of the Oxford Institute for Energy Studies presented their view of the oil and gas markets going forward. There is a very large supply of natural gas in the United States at low prices. Half of the world's production will occur in the U.S. for the next 10-20

years. While there is high demand for oil outside the U.S., there are high inventories. Production will be down in 2017, and \$50-90 per barrel price will continue for several years. In 2020, expect U.S., Russia, and Saudi Arabia, to be in a three-way production tie.

Siddhartha Mukherjee, Columbia University professor of medicine, explained the future of cancer treatment. Expect each patient to receive a treatment program designed specifically for them.

Dr. Steve Peters, a consultant psychiatrist to sports competitors, such as Olympic cyclists, described his mind management program, known as the Chimp Paradox. The Chimp is the part of the mind that deals with feelings and impressions, and often gets out of control. Manage it properly and you will be a better functioning person.

Callum Roberts, marine biology professor at York University, described how the oceans are being over-fished, and will be unlikely to meet food demand in the future.

Suzanne Mustacich, Editor at Wine Spectator magazine, described China's lust for French Bordeaux wine that led to extremely high prices, driving other consumers out of the market. Most of the wine was purchased for gifts, rather than drinking, until the Chinese government cracked down on gifting as a part of an anti-corruption drive. Naturally, the prices crashed, and the vintners are still trying to get their old customers back.

If you are interested, many of the speakers have videos of their presentations on the internet.

(Rory Sutherland is very entertaining.)

Sincerely,



Will Hoag
VCERA Board Member



Dan Gallagher
Chief Investment Officer