

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

November 21, 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
Arthur E. Goulet, Retiree Member
Will Hoag, Alternate Retiree Member
Chris Johnston, Safety Employee Member

DIRECTORS Peter C. Foy, Public Member
ABSENT: Deanna McCormick, General Employee Member
Craig Winter, General Employee Member

STAFF Linda Webb, Retirement Administrator
PRESENT: Lori Nemiroff, Assistant County Counsel
Henry Solis, Chief Financial Officer
Dan Gallagher, Chief Investment Officer
Julie Stallings, Chief Operations Officer
Karen Scanlan, Accounting Manager I
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 November 21, 2016, to order at 9:02 a.m.

II. APPROVAL OF AGENDA

MOTION: Approve with corrections.

Moved by Wilson, seconded by Sedell.

Vote: Motion carried

Yes: Bianchi, Goulet, Johnston, Sedell, Wilson, Towner

No: -

Absent: Foy, Hintz, McCormick, Winter

III. CONSENT AGENDA

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

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

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

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

MOTION: Approve.

Moved by Wilson, seconded by Johnston.

Vote: Motion carried

Yes: Bianchi, Goulet, Johnston, Sedell, Wilson, Towner

No: -

Absent: Foy, Hintz, McCormick, Winter

IV. INVESTMENT MANAGER PRESENTATIONS

- A. Receive Annual Investment Presentation from State Street, John Muir and Julianna Frank (00:00:50)

Trustee Hintz arrived at 9:11 a.m.

Trustee Goulet expressed an interest in seeing a presentation regarding custodial services that State Street provides for VCERA. Ms. Frank replied that she is the custodial contact for VCERA and would be happy to answer any questions the Trustee Goulet had regarding custodial services. Trustee Goulet said that he would like to see something in writing so that he could formulate his questions for them.

Mr. Gallagher said that custody may be the single most important service that we have across the entire portfolio and State Street provides a wide variety of services that are basically invisible to the Board. Mr. Gallagher stated that he has worked with several custodian and relationship managers over the years, and he believes that Ms. Frank is one of the best and would like to have that recognized before the Board.

Trustee Goulet asked about the services in the State Street contract and he believes it is time that the board received a full report on the subject.

- B. Receive Annual Investment Presentation from Black Rock, Anthony Freitas and Timothy Murray
Time: 10:30 a.m.

Anthony Freitas and Timothy Murray were present on behalf of Black Rock to provide an organizational and investment performance update.

Trustee Goulet stated he would like Black Rock to provide earnings net of fees and not the gross of fees. Mr. Murray replied that they could certainly do that going forward.

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

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

V. INVESTMENT INFORMATION

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

1. Preliminary Performance Report Month Ending October 31, 2016
2. Third Quarter Performance Report

The Board discussed potential economic changes after the recent election.

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

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

The Board advanced to item V.4., then returned to item V.3.

3. Private Equity Report

Trustee Sedell left at 10:32a.m. and returned at 10:46a.m.

After discussing data in the report, the Board then advanced to item V.5.

4. Organizational Update

Mr. Gallagher stated that he has worked with Mr. Ferrera of NEPC since he joined VCERA and Mr. Ferrera has been here longer than himself on the VCERA account. Mr. Gallagher said he felt very comfortable with Mr. Ferrera taking Mr. LeBeau's position on our account.

The Board then returned to item V.3.

5. SACRS Peer Comparison Report

Chair Towner asked in the interest of time if there were any questions regarding the SACRS Peer Comparison Report.

Mr. Martin stated that VCERA ranked in the top 20, 30 and 50 percentile over 1,3 and 5 years respectively, in returns and risk shows up a little bit more than others, which could be attributed to asset allocation. Mr. Martin said that about a quarter of the funds have a higher equity allocation than VCERA does. Mr. Martin said that he would also point out that 100% of the systems have some global, international or emerging allocations.

Trustee Wilson recalled Segal saying that there were just three counties that dropped their assumed rate to seven percent. Mr. Martin replied yes, and also San Jose Police and Fire.

MOTION: Receive and File.

Moved by Goulet, seconded by Sedell.

Vote: Motion carried

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

No: -

Absent: Foy, McCormick, Winter

B. Request for Additional Funding for Private Equity Legal Expenses

1. Staff Letter

Trustee Goulet said that he agreed with the request, but asked if this would require a budget adjustment. Mr. Gallagher replied that he assumed that Mr. Solis would be providing the adjustment in the mid-year budget update in January.

After discussion by the board the following motion was made.

MOTION: Approve.

Moved by Wilson, seconded by Johnston.

Vote: Motion carried

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

No: -

Absent: Foy, McCormick, Winter

Trustee Wilson asked Mr. Gallagher about the cost of legal fees as compared to returns. Mr. Gallagher said, the amount we spent so far, is \$60,000 on the first three funds. General Counsel Nemiroff said that it is usually about \$20,000 - \$25,000 per deal for legal fees and that includes side letters drafted and documents reviewed. Chair Towner said in total private equities we are looking at four hundred and sixty million.

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

MOTION: Approve.

Moved by Bianchi, seconded by Sedell.

Vote: Motion carried

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

No: -
Absent: Foy, McCormick, Winter

VI. OLD BUSINESS

A. Request to Combine Disability and Business Meetings for a Single Meeting on December 12, 2016

1. Staff Letter

Trustee Goulet stated that he assumed the NEPC Flash Report would not be available on the 12th. Ms. Webb replied yes, because there would not be enough time.

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

MOTION: Approve.

Moved by Wilson, seconded by Hintz.

Vote: Motion carried

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

No: -

Absent: Foy, McCormick, Winter

VII. NEW BUSINESS

A. Board Calendar Options for 2017

1. Staff Letter

2. Calendar Options

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

MOTION: Approve Option #2.

Moved by Hintz, seconded by Wilson.

Vote: Motion carried

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

No: -

Absent: Foy, McCormick, Winter

- B. Request for Additional Statement of Work for Linea
1. Staff Letter
 2. Proposed Statement of Work

Ms. Webb noted a typo in paragraph four, that should say, December 23, 2016. Ms. Webb summarized the request.

Trustee Goulet said he has been unhappy with Linea and was anxious to see cord cut.

Ms. Webb said this request was not related to project management, but for an onsite contractor. Ms. Webb said, so we are slowly tapering off in the outside support that we need, so that after the first of the year we will be down to one outside resource.

Trustee Goulet said he was troubled with using Linea's master service agreement and preferred a separate contract.

Chair Towner acknowledged Mr. Goulet's point, but that staff is focused on a solution to getting the project finished and what is it going to take to do it.

Trustee Sedell said that he had seen several of these projects and there are always unanticipated problems that arise.

Ms. Webb said that one of the things she tries to do as the Retirement Administrator is to look after the staff and she thinks that trying to move forward without this resource is going to put much on them.

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

MOTION: Approve.

Moved by Sedell, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Hintz, Johnston, Sedell, Wilson, Towner

No: Goulet

Absent: Foy, McCormick, Winter

- C. Request to Delete Two (2) Program Administrator II Allocations and add Two (2) Senior Program Administrator Allocations

1. Staff Letter
2. Memorandum from Chief Operations Officer to Retirement Administrator

Ms. Webb said that this request is for the Board because they have the discretion to change allocations, but we will need to work with Ventura County Human Resources, if the Board was to approve. Ms. Webb explained the request will allow staff to absorb more of the work on the PAS project by using in-house resources. Ms. Webb said VCERA must avoid employees taking on responsibilities outside of their classification.

Trustee Sedell said that he did not have a problem with authorizing the positions, but recommended that afterwards it go into the mid-year budget to adjust the dollars amounts of the positions and to note that the pay scale numbers are different than the top of the range. He asked if this is a one year cost or annual cost.

Ms. Webb said that this would be a one year cost but also would be in the new budget going forward.

Trustee Sedell said that he would move that the staff would work out the salary for the new allocations.

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

MOTION: Approve the Allocations, with Staff to Begin Processing Salaries with County Human Resources.

Moved by Sedell, seconded by Johnston.

Vote: Motion carried

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

No: -

Absent: Foy, McCormick, Winter

- D. Request for Trustee Bianchi to Attend ILPA Class
 1. Staff Letter
- E. Request for Chief Investment Officer, Dan Gallagher to Attend ILPA Class
 1. Staff Letter

MOTION: Approve both ILPA Class Requests.

Moved by Sedell, seconded by Bianchi.

Vote: Motion carried

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

No: -

Absent: Foy, McCormick, Winter

VIII. INFORMATIONAL

None.

IX. PUBLIC COMMENT

None.

X. STAFF COMMENT

Mr. Gallagher reported on VCERA investment contract exit fees noting they were common in co-mingled funds containing emerging market securities. Mr. Gallagher said that in addition to GMO, both Hexavest and Sprucegrove charge exit fees, but exit fees are not found in any other part of the VCERA portfolio. Mr. Gallagher also mentioned the "Take Private" acquisition effort of the publicly traded U.K. fund to funds manager by SVG by Harbourvest and Harbourvest's prior successes with these actions.

Ms. Webb said our first meeting with Digital Deployment went very well. Ms. Webb said that she and Ms. Stallings met with the Steering Committee that Monday to discuss the data access and staff was analyzing.

XI. BOARD MEMBER COMMENT

Trustee Goulet stated that he wanted to quickly point out that the GMO exiting fee was a third of their annual fees.

XII. ADJOURNMENT

The meeting was adjourned at 11:24 a.m.

Respectfully submitted,



LINDA WEBB, Retirement Administrator

Approved,



TRACY TOWNER, Chairman