

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING & BOARD RETREAT

SEPTEMBER 23, 2019

MINUTES

TRUSTEES
PRESENT: William W. Wilson, Chair, Public Member
Steven Hintz, Treasurer-Tax Collector
Steve Bennett, Public Member
Mike Sedell, Public Member
Robert Ashby, Safety Member
Tracy Towner, Alternate Safety Member
Arthur E. Goulet, Retiree Member
Will Hoag, Alternate Retiree Member
Ed McCombs, Alternate Public Member

TRUSTEES
ABSENT: Craig Winter, General Employee Member

STAFF
PRESENT: Linda Webb, Retirement Administrator
Lori Nemiroff, General Counsel
Henry Solis, Chief Financial Officer
Dan Gallagher, Chief Investment Officer
Leah Oliver, Chief Technology Officer
Shalini Nunna, Retirement Benefits Manager
Donna Edwards, Disability Benefits Specialist
Nancy Jensen, Disability Benefits Specialist
Josiah Vencel, Communications Officer
Chris Ayala, Program Assistant

PLACE: Ventura Beach Marriott
Emma Wood Ballroom
2055 E. Harbor Blvd.
Ventura, CA 93001

TIME: 9:00 a.m.

ITEM:

Chair Wilson called the Business Meeting & Board Retreat of September 23, 2019, to order at 9:04 a.m.

The Board advanced to Item II., "Approval of Minutes."

I. INTRODUCTION & APPROVAL OF AGENDA

MOTION: Approve.

Moved by Hintz, seconded by Ashby.

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hintz, McCombs, Sedell, Towner, Wilson

No: -

Absent: Winter

Abstain: -

After voting on this item, the Board advanced to Item IV., Presentation: "Disability Retirement – The Fiduciary Role of the Retirement Board."

Trustee McCombs arrived at 9:08 a.m.

II. APPROVAL OF MINUTES

A. Disability Minutes of September 9, 2019.

MOTION: Approve.

Moved by Sedell, seconded by Hintz.

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hintz, McCombs, Sedell, Towner, Wilson

No: -

Absent: Winter

Abstain: -

III. CONSENT AGENDA

A. Approve Regular and Deferred Retirements and Survivors Continuances for the Month of July 2019.

B. Approve Regular and Deferred Retirements and Survivors Continuances for the Month of August 2019.

C. Receive and File Report of Checks Disbursed in July 2019.

D. Receive and File Report of Checks Disbursed in August 2019.

E. Receive and File Budget Summary for FY 2018-19 Month Ending June 30, 2019, Final.

- F. Receive and File Budget Summary for FY 2019-20 Month Ending July 31, 2019.
- G. Receive and File Budget Summary for FY 2019-20 Month Ending August 31, 2019.
- H. Receive and File Statement of Reserves as of June 30, 2019.
- I. 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 June 30, 2019.
- J. Receive and File Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Schedule of Investments and Cash Equivalents for the Period Ending July 31, 2019.
- K. Receive and File Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Schedule of Investments and Cash Equivalents for the Period Ending August 31, 2019.

MOTION: Receive and File.

Moved by Sedell, seconded by Hintz.

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hintz, McCombs, Sedell, Towner, Wilson

No: -

Absent: Winter

Abstain: -

After voting on this item, the Board returned to Item I., "Introduction & Approval of Agenda."

IV. **PRESENTATION: "DISABILITY RETIREMENT – THE FIDUCIARY ROLE OF THE RETIREMENT BOARD"**

Ashley Dunning, VCERA Fiduciary Counsel, Nossaman

Ms. Webb introduced Ms. Dunning, Partner at Nossaman LLP, who discussed the fiduciary role of the Board of Retirement with respect to the disability application process.

After the presentation by Ms. Dunning, the Board took a break at 10:16 a.m.

The Board returned from break at 10:26 a.m.

V. **PRESENTATION: "PERSPECTIVES ON CHINA"**

Paul Podolsky, Bridgewater Associates.

Mr. Gallagher introduced Mr. Podolsky from Bridgewater Associates, who discussed several geopolitical and economic features, challenges and opportunities related to China.

After the presentation by Mr. Podolsky, the Board took a break at 11:45 a.m.

Trustee Hintz left the meeting at 11:45 a.m.

After returning from break, the Board went to lunch at 12:00 p.m.

Lunch Break

After returning from its lunch break at 12:57 p.m., the Board advanced to Item VII.A. "Proposed Changes to VCERA Bylaws."

VI. INVESTMENT INFORMATION

NEPC – Allan Martin.

VCERA – Dan Gallagher, Chief Investment Officer.

A. Recommendation for \$25 Million Investment in Bridge Debt Strategies Fund III, LP, Isela Rosales.

RECOMMENDED ACTION: Approve.

1. Staff Letter by C.I.O., Dan Gallagher.
2. Recommendation and Research Memoranda from NEPC.
3. Bridge Debt Strategies Fund III, LP Presentation.

Mr. Gallagher said that the recommendation for a \$25 million investment in Bridge Debt Strategies Fund III would help build out VCERA's private equity allocation and that NEPC agreed with the investment.

Replying to Mr. Sedell's question about the anticipated term of the fund, Ms. Rosales said six years in total, but only four-and-a-half years remained in the fund's term.

At Trustee Goulet's request, Mr. Martin confirmed there would be a Bridge fee reduction for VCERA due to another NEPC client's investment in the fund.

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

MOTION: Approve an Allocation of \$25 Million to Bridge Debt Strategies Fund III, and Direct Staff and Counsel to Negotiate the Necessary Legal Documents; and Subject to Approval of VCERA Legal Counsel, Authorize the Board Chair or the Retirement Administrator, or If Both Are Unavailable, the Chief Investment Officer, to Approve and Execute the Required Documentation.

Moved by Sedell, seconded by Goulet.

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, McCombs, Sedell, Towner, Wilson

No: -

Absent: Hintz, Winter

Abstain: -

B. Request for Approval of CarVal's Management Buyout.

RECOMMENDED ACTION: Approve.

1. Staff Letter by C.I.O., Dan Gallagher.

2. Memorandum from NEPC.
3. Investor Notice, Cover Letter and Consent Form for Management Led Buyout.

Mr. Gallagher explained that Cargill, the parent company that owned a 50% economic interest in CarVal, had negotiated a buyout purchase price for CarVal.

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

MOTION: Subject to Legal Approval, the Board Consents to Carval's Management Buyout of Cargill's Interest in Carval and Authorize the Board Chair or Retirement Administrator to Execute Consent Document.

Moved by Bennett, seconded by Towner.

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, McCombs, Sedell, Towner, Wilson

No: -

Absent: Hintz, Winter

Abstain: -

- C. Performance Report for Quarter Ending June 30, 2019.
RECOMMENDED ACTION: Receive and File.

Trustee Goulet remarked on Hexavest's underperformance.

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

MOTION: Receive and File.

Moved by Sedell, seconded by Towner.

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, McCombs, Sedell, Towner, Wilson

No: -

Absent: Hintz, Winter

Abstain: -

- D. Preliminary Performance Report for Month Ending July 31, 2019.
RECOMMENDED ACTION: Receive and File.

- E. Preliminary Performance Report for Month Ending August 31, 2019.
RECOMMENDED ACTION: Receive and File.

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

MOTION: Receive and File Preliminary Performance Reports for July and August 2019.

Moved by McCombs, seconded by Ashby.

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, McCombs, Sedell, Towner, Wilson
No: -
Absent: Hintz, Winter
Abstain: -

VII. OLD BUSINESS

A. Proposed Changes to VCERA Bylaws.
RECOMMENDED ACTION: Approve.

1. Staff Letter.
2. VCERA Bylaws (Redline).
3. VCERA Bylaws (Alternate Redline).
4. Correspondence with County between November 2018 and May 2019.
5. County Follow-Up to June 14th Meeting.
6. VCERA Response to County Follow-Up.

Ms. Webb summarized the history of staff's interactions with the County in regard to VCERA's bylaws, and the status of the three main issues of disagreement. Staff had offered a "middle ground" option, which was agreed to by Assistant County Executive Officer Mike Pettit on September 20.

The Assistant County Executive Officer and Human Resources Director, Shawn Atin, requested to speak before the Board. Mr. Atin said that after meeting with Ms. Webb and Ms. Nemiroff, the County agreed to the alternate redline version of the bylaws and that the County wished to continue working with VCERA to update the disability procedures. He remarked on the robust nature of Ms. Dunning's presentation and was in agreement with much of the content. He acknowledged the absolute right of the Board to make decisions pertaining to disability retirement, that he saw the County's role as an advisor to the Board and would like to continue advising VCERA in the disposition of the applications, in light of the County's expertise and knowledge of individual cases. He added that it had not been the County's practice or intent to withhold any information from the Board, nor to make "side deals" regarding disability cases, and the County was willing to provide any additional information the Board believed they needed. He commended the County's long-standing partnership with VCERA on the disability retirement process, and said he believed that in the majority of cases, the Board was in agreement with Risk Management. However, the County did not believe the process was "broken," and if the Board sought a different process in which the County did not supply disability information to VCERA, he did not believe the process would be as timely, cost effective or successful.

Senior Deputy Executive Officer Chuck Pode requested to speak before the Board. Mr. Pode said Risk Management desired a disability process that addressed the needs of VCERA's Board and County employees. He stated that Ventura County Risk Management remained interested in working with VCERA on a procedure to benefit everyone and that Risk Management supplied the Board with experience and knowledge.

Trustee Goulet noted that the alternate redline version of the bylaws did not contain the same language about compensation earnable.

Ms. Webb replied that on the compensation earnable section, VCERA had offered to insert the retirement law description verbatim, but the County had not opted for the verbatim language, so the compensation earnable language was removed in both redlines. Therefore, the only discernible difference in the two redlines was the reference to the attached disability hearing procedures in the alternate version.

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

MOTION: Approve Alternate Redline Version of the VCERA Bylaws.

Moved by Bennett, seconded by Sedell.

Vote: Motion carried

Yes: Ashby, Bennett, McCombs, Sedell, Towner, Wilson

No: Goulet

Absent: Hintz, Winter

Abstain: -

Trustee Goulet said he voted no because he preferred staff's original recommendation.

After hearing this item, the Board returned to Item VI.A., "Recommendation for \$25 Million Investment in Bridge Debt Strategies Fund III, LP."

B. Request for Ratification of Travel for Communications Officer, Josiah Vencel, to Attend the 2019 National Pension Education Association Conference (NPEA).

RECOMMENDED ACTION: Ratify.

1. Staff Letter.

Ms. Webb told the Board that it had previously approved a travel request for VCERA's Communications Officer to attend the 2019 NPEA Conference. However, some of the travel costs had been mistakenly incurred prior to Board approval of the request, so staff requested retroactive ratification of the premature travel expenses.

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

MOTION: Approve Ratification for Travel Request for Communications Officer to Attend the 2019 NPEA Conference.

Moved by McCombs, seconded by Goulet.

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, McCombs, Sedell, Towner, Wilson

No: -

Absent: Hintz, Winter

Abstain: -

C. Appointment of Chair and Vice-Chair.

1. Staff Letter.

Ms. Webb summarized the history of the Board's temporary appointment of Chair Wilson and Vice-Chair Bianchi until the conclusion of Trustee Towner's Civil Service Commission proceedings, noting the Board's direction to return with this item following that conclusion so that, if desired, the Board could appoint a chair and vice-chair for the remainder of 2019. Ms. Webb added that in December 2019, the Board would appoint a chair and vice-chair to serve in 2020.

Trustee Sedell nominated Trustee Towner as Chair and Trustee Wilson as Vice-Chair.

Chair Wilson called for any additional nominations, and hearing none, closed the nominations and called for a vote.

By unanimous vote, Trustee Towner was appointed as Chair and Trustee Wilson as Vice-Chair.

Vote on Nominations:

Yes: Ashby, Bennett, Goulet, McCombs, Sedell, Towner, Wilson

No: -

Absent: Hintz, Winter

Abstain: -

VIII. NEW BUSINESS

A. SACRS Fall Voting Proxy.

1. Staff Letter.

Ms. Webb reminded the Board to appoint voting delegates to the SACRS 2019 Fall Conference. Chair Wilson appointed Trustee Hoag to serve as the voting delegate and Tracy Towner to serve as the alternate voting delegate.

IX. INFORMATIONAL

X. PUBLIC COMMENT

None.

XI. STAFF COMMENT

Ms. Webb informed the Board that due to the ongoing office remodel, the Board would meet in the Hall of Administration for the remainder of the year. Also, the election for the vacant General member seat had ended, and staff expected the election results to be certified soon.

Ms. Oliver presented an overview of the boardroom furniture options and requested that trustees inform staff of their preferences.

Mr. Vencel provided a demonstration of the new Board Member Portal on the VCERA website.

XII. BOARD MEMBER COMMENT

None.

XIII. ADJOURNMENT

Chair Wilson adjourned the meeting at 2:09 p.m.

Respectfully submitted,



LINDA WEBB, Retirement Administrator

Approved,



WILLIAM W. WILSON, Chairman

