

# VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

## BOARD OF RETIREMENT

### BUSINESS MEETING

OCTOBER 23, 2017

### MINUTES

**DIRECTORS** William W. Wilson, Vice Chair, Public Member  
**PRESENT:** Steven Hintz, Treasurer-Tax Collector  
Peter Foy, Public Member<sup>1</sup>  
Mike Sedell, Public Member  
Robert Bianchi, Public Member  
Maeve Fox, General Employee Member  
Craig Winter, General Employee Member  
Arthur E. Goulet, Retiree Member  
Chris Johnston, Safety Employee Member  
Ed McCombs, Alternate Public Member

**DIRECTORS** Tracy Towner, Chair, Alternate Safety Employee Member  
**ABSENT:** Will Hoag, Alternate Retiree Member

**STAFF** Linda Webb, Retirement Administrator  
**PRESENT:** Lori Nemiroff, County Counsel  
Dan Gallagher, Chief Investment Officer  
Vickie Williams, Retirement Benefits Manager  
Karen Scanlan, Accounting Manager I  
Chantell Garcia, 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:**

---

<sup>1</sup> Trustee Foy arrived at 9:06 a.m.

I. CALL TO ORDER

Vice-Chair Wilson called the Business Meeting of October 23, 2017, to order at 9:00 a.m.

II. APPROVAL OF AGENDA

Vice-Chair Wilson amended the agenda to consider item "V.C.3. CarVal Investors Presentation", ahead of items IV.A. – IV.D., "Consent Agenda".

MOTION: Approve the agenda as amended.

Moved by Bianchi, seconded by Johnston.

Vote: Motion carried

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

No: -

Absent: Foy, Hoag, Towner

III. APPROVAL OF MINUTES

A. Disability Minutes of October 9, 2017.

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

MOTION: Approve.

Moved by Bianchi, seconded by Goulet.

Vote: Motion carried

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

No: -

Abstain: Sedell

Absent: Foy, Hoag, Towner

Trustee Sedell said that he was abstaining from the vote because he was not present at the October 9, 2017 Board Meeting.

IV. CONSENT AGENDA

A. Approve Regular and Deferred Retirements and Survivors Continuances for the Month of September 2017.

B. Receive and File Report of Checks Disbursed in September 2017.

C. Receive and File Budget Summary for FY 2016-17 Month Ending September 30, 2017.

- D. Receive and File Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, and Statement of Investments, Cash and Cash Equivalents for the Period Ending August 30, 2017.

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

MOTION: Receive and File.

Moved by Goulet, seconded by Bianchi.

Vote: Motion carried

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

No: -

Absent: Foy, Hoag, Towner

Following the vote on this item, the Board advanced to agenda item V.C.3.

V. INVESTMENT MANAGER PRESENTATIONS

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

Clark W. 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, Travis Carr, and Ronnie A. Amici.

Travis Carr, and Ronnie A. Amici were present on behalf of Western Asset Management to provide an organizational and investment performance update.

- C. Recommendation to Approve Investment in CarVal Credit Value Fund IV, LP.

**RECOMMENDED ACTION: Approve.**

1. Staff Letter by C.I.O, Dan Gallagher.
2. NEPC Memorandum Regarding Private Markets Recommendation.
3. CarVal Investors Presentation by James Ganley and Kerry Fauver.

Following the presentation by CarVal Investors, the Board returned to item V.A. and V.B., then voted on V.C.

Trustee Foy arrived at 9:06 a.m.

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

MOTION: Approve Proposal for 20 Million Investment with CarVal, with the Provision if Available, to Investment up to 30 Million.

Moved by Bianchi, seconded by Foy.

Vote: Motion carried

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

No: -

Absent: Hoag, Towner

## VI. INVESTMENT INFORMATION

- A. NEPC – Allan Martin and Eric Harnish.  
VCERA – Dan Gallagher, Chief Investment Officer.

1. Investment Manager Guidelines.

**RECOMMENDED ACTION: Approve.**

- a. Staff Letter by C.I.O., Dan Gallagher.  
b. Proposed Investment Manager Guidelines.

Mr. Gallagher said that the prior set of guidelines was out of date and lacked consistency in both content and format, both within and between managers, so it was impossible to produce a workable redline version reflecting the proposed changes. He observed that a revised investment policy was adopted by the Board in February 2017, with Board approval of moving the manager guidelines to a separate document. The goal was to update and make consistent the content, the organization, and the formatting, resulting in a readable and user-friendly document. He noted that he and NEPC had invested a lot of time on this effort, with NEPC analysts going back to each individual manager's subscription documents to abstract their respective investment guidelines, and then re-writing them into a consistent format. He said that this document represented a major improvement over the prior version, and recommended the proposed version for Board approval.

Trustee Goulet said that after speaking with Mr. Gallagher he had a few suggested corrections to the guidelines in regards the spelling and grammar.

Mr. Martin replied that he would welcome any suggested corrections.

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

MOTION: Approve with Non-Substantive Corrections from Trustee Goulet and Staff.

Moved by Sedell, seconded by Bianchi.

Vote: Motion carried

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

No: -

Absent: Hoag, Towner

2. Preliminary Performance Report Month Ending September 30, 2017.

**RECOMMENDED ACTION: Receive and file.**

Trustee Goulet left at 11:04 a.m.

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

MOTION: Receive and File.

Moved by Hintz, seconded by Winter.

Vote: Motion carried

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

No: -

Absent: Goulet, Hoag, Towner

3. First Quarter 2017 Private Markets Review – Private Equity.

**RECOMMENDED ACTION: Receive and file.**

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

MOTION: Receive and File.

Moved by Bianchi, seconded by Winter.

Vote: Motion carried

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

No: -

Absent: Goulet, Hoag, Towner

## VII. OLD BUSINESS

- A. Determine Compliance of County's Proposed Publicly-Available Pay Schedule for Market-Based Premium Pay (MBPP) and Determine Pensionability of MBPP under PEPRA.

**RECOMMENDED ACTION: EXCLUDE MBPP FROM PENSIONABLE COMPENSATION DUE TO DEFICIENCY IN MEETING PEPRA CRITERIA.**

1. Staff Letter, dated October 23, 2017.
2. Staff Memorandum, dated June 19, 2017, with Attachments.  
*Previously Provided.*
3. County Response to Staff Memorandum, dated September 7, 2017.  
*Previously Provided.*

Ms. Webb reminded the Board that items A and B had been tabled at the last several meetings, which were in regard to the pensionability of MBPP and HCA Fiscal Premium Pay for PEPRA members. She said that though staff's recommendations were unchanged, significant progress had been made in the last several weeks. County Counsel and VCERA's outside counsel had been working on a potential amendment to Section 622 of the County's Memorandum of Agreement with SEIU, which staff believed was very encouraging. While it was not finalized, staff believed effort was being made to implement most of the principles and requirements that outside counsel had presented.

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

MOTION: Table Item VII.A.

Moved by Sedell, seconded by Foy.

Vote: Motion carried

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

No: -

Absent: Goulet, Hoag, Towner

B. Determine Pensionability of HCA Fiscal Premium Pay.

**RECOMMENDED ACTION: EXCLUDE HCA FISCAL PREMIUM PAY FROM PENSIONABLE COMPENSATION DUE TO DEFICIENCY IN MEETING PEPRA CRITERIA.**

1. Staff Letter, dated October 23, 2017.
2. Staff Letter, dated September June 19, 2017, with Attachments.  
*Previously Provided.*

Ms. Webb said that staff recommended deferral of action on this item because County Counsel's focus on MBPP had delayed analysis of it. Also, because no PEPRA members were yet receiving HCA Fiscal Premium Pay, deferring the item would not result in any adverse impact to members.

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

MOTION: Table Item VII.B.

Moved by Sedell, seconded by Foy.

Vote: Motion carried

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

No: -

Absent: Goulet, Hoag, Towner

C. 2017/18 Business Plan.

**RECOMMENDED ACTION: Approve.**

Ms. Webb reminded the Board that a draft of the Business Plan had been provided at the last meeting. Ms. Webb said the Business Plan is developed by the Administrator with the assistance of senior staff to provide the Board with the status of goals previously set, identify organizational risks, and to set new goals to allow the Board to provide direction and feedback.

Trustee Wilson said that after reviewing the Business Plan his main concern was VCERA's reliance on the vendor for protecting the information technology. He then asked when will this situation change.

Ms. Webb replied that this was indeed a concern, and the vendor was moving toward a co-development model with some clients, which would allow for more collaboration and self-sufficiency on the part of VCERA. However, until VCERA got an IT Technology Manager and possibly another IT staff position in place, the vulnerability was significant. She said that an obstacle in filling the IT Technology Manager position was in securing the level of classification for the position from the County that was needed for the critical responsibilities. The County had identified a lower level classification than staff believed was critical to meet VCERA's IT challenges. She said the level of risk and responsibility associated with the position could not be overstated.

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

MOTION: Approve.

Moved by Hintz, seconded by Johnston.

Vote: Motion carried

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

No: -

Absent: Goulet, Hoag, Towner

## VIII. NEW BUSINESS

A. Quarterly Retirement Administrator's Report for July – September 2017.

**RECOMMENDED ACTION: Receive and file.**

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

MOTION: Receive and File.

Moved by Hintz, seconded by Winter.

Vote: Motion carried

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

No: -

Absent: Goulet, Hoag, Towner

B. Recommendation to Authorize Consent of Ownership Transfer of Tortoise.



**RECOMMENDED ACTION: Approve.**

1. Staff Letter by C.I.O., Dan Gallagher.
2. Press Release - Lovell Minnick and Tortoise Management to Acquire Tortoise.

Mr. Gallagher informed the Board that a private equity group, including Harbourvest Co-Investment Fund IV in which VCERA is an investor, was purchasing Tortoise. Gallagher recommended that the Board approve the ownership transfer, and authorize Retirement Administrator Ms. Webb to execute it, and the Chief Investment Officer to serve as a back-up to execute the document if needed to do so.

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

MOTION: Approve.

Moved by Foy, seconded by Fox.

Vote: Motion carried

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

No: -

Absent: Goulet, Hoag, Towner

C. Recommendation for Approval for Private Equity Fund of One.

**RECOMMENDED ACTION: Approve.**

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

Mr. Gallagher recommend the addition of a fund of one vehicle as an additional option to facilitate participation in specialized strategies as appropriate for VCERA's private equity program. He noted that a fund of one option would complement VCERA's current fund of funds, and direct fund investment approaches. The fund of one option would allow VCERA to continue to comply with California disclosure reporting requirements applicable to public plans, as VCERA has done since inception of the private equity program in 2010.

Trustee Wilson asked how much would this cost for VCERA to proceed with this.

Mr. Gallagher said that he did not yet know the cost but VCERA's attorneys would seek to minimize the costs by using existing legal language to the extent possible.

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

MOTION: Approve.

Moved by Sedell, seconded by Fox.

Vote: Motion carried



Yes: Bianchi, Fox, Foy, Hintz, Johnston, Sedell, Wilson, Winter  
No: -  
Absent: Goulet, Hoag, Towner

IX. **INFORMATIONAL**

A. New York Times Article – The Best Investment Since 1926? Apple.

X. **PUBLIC COMMENT**

Trustee Foy left at 11:35 a.m.

Received public comment from Harry Hagen, SBCERA Treasurer and SACRS Board Member.

XI. **STAFF COMMENT**

Ms. Webb said that the actuarial audit was nearly complete and staff did not anticipate any significant findings from the auditor. Tentatively, the auditor would present findings at the November 20<sup>th</sup> business meeting. Segal Consulting would be present to participate in the discussion.

XII. **BOARD MEMBER COMMENT**

None.

XIII. **ADJOURNMENT**

The Vice-Chair adjourned the meeting at 11:40 a.m.

Respectfully submitted,



---

LINDA WEBB, Retirement Administrator

Approved,



---

BILL WILSON, Vice-Chairman