

# VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

## BOARD OF RETIREMENT

### BUSINESS MEETING

MAY 20, 2019

### MINUTES

**TRUSTEES  
PRESENT:** William W. Wilson, Chair, Public Member  
Robert Bianchi, Vice-Chair, Public Member  
Steven Hintz, Treasurer-Tax Collector  
Steve Bennett, Public Member  
Mike Sedell, Public Member  
Dan Shapiro, General Member  
Arthur E. Goulet, Retiree Member  
Will Hoag, Alternate Retiree Member  
Robert Ashby, Safety Member

**TRUSTEES  
ABSENT:** Craig Winter, General Member  
Ed McCombs, Alternate Public Member

**STAFF  
PRESENT:** Linda Webb, Retirement Administrator  
Lori Nemiroff, County Counsel  
Henry Solis, Chief Financial Officer  
Dan Gallagher, Chief Investment Officer  
Julie Stallings, Chief Operations Officer  
Leah Oliver, Chief Technology Officer  
Shalini Nunna, Retirement Benefits Manager  
Josiah Vencel, Communications Officer  
Chris Ayala, Program Assistant  
Sierra Walsh, Office Assistant III-C

**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 Wilson called the Business Meeting of May 20, 2019 to order at 9:00 a.m.

**II. APPROVAL OF AGENDA**

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

MOTION: Approve.

Moved by Hintz, seconded by Bianchi.

Vote: Motion carried

Yes: Bennett, Bianchi, Goulet, Hintz, Sedell, Wilson

No: -

Absent: McCombs, Shapiro, Winter

Abstain: -

After the vote to approve the agenda, Deputy County Clerk Miranda Nobriga administered the Oath of Office to Robert Ashby, Safety Member Trustee.

**III. APPROVAL OF MINUTES**

A. Disability Meeting Minutes of May 6, 2019.

MOTION: Approve.

Moved by Hintz, seconded by Bianchi.

Vote: Motion carried

Yes: Ashby, Bennett, Bianchi, Goulet, Hintz, Sedell, Wilson

No: -

Absent: McCombs, Shapiro, Winter

Abstain: -

**IV. CONSENT AGENDA**

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

B. Receive and File Report of Checks Disbursed in April 2019.

C. Receive and File Budget Summary for FY 2018-19 Month Ending April 30, 2019.

D. Receive and File Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Schedule of Investments, Cash, and Cash Equivalents, and Schedule of Investment Management Fees for the Period Ending April 30, 2019.

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

MOTION: Receive and File.

Moved by Sedell, seconded by Bianchi.

Vote: Motion carried

Yes: Ashby, Bennett, Bianchi, Goulet, Hintz, Sedell, Wilson

No: -

Absent: McCombs, Shapiro, Winter

Abstain: -

**V. INVESTMENT MANAGER PRESENTATIONS**

A. Receive Annual Investment Presentation, Bridgewater, Jessica Oleson and Jason Rogers.

Trustee Shapiro arrived at 9:04 a.m., during the presentation from Bridgewater.

Jessica Oleson and Jason Rogers were present on behalf of Bridgewater to provide an organizational and investment performance update.

B. Receive Annual Investment Presentation, Tortoise Capital Advisors, Dan Olson, Gregory Murphy, and James Mick.

Dan Olson, Gregory Murphy, and James Mick were present on behalf of Tortoise Capital Advisors to provide an organizational and investment performance update.

After hearing the presentation from Tortoise Capital Advisors, the Board took a break at 9:51 a.m.

Vice-Chair Bianchi left at 9:51 a.m.

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

**VI. INVESTMENT INFORMATION**

NEPC – Allan Martin

VCERA – Dan Gallagher, Chief Investment Officer

A. Consider Adoption of the Proposed Revision to VCERA's Investment Portfolio Asset Allocation.

**RECOMMENDED ACTION: Approve.**

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

2. NEPC Memorandum and Presentation Deck.

Mr. Gallagher said staff's recommendation for the Board to approve a 3% increase in the asset allocation to Private Equity, to be funded by a 3% decrease in the allocation to Real Assets. This action aimed to increase VCERA's long-term expected returns and would be phased in over several years to mitigate vintage year risk.

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

MOTION: Approve and Adopt the Recommended Revisions to VCERA's Investment Portfolio Asset Allocation.

Moved by Sedell, seconded by Hintz.

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hintz, Sedell, Shapiro, Wilson

No: -

Absent: Bianchi, McCombs, Winter

Abstain: -

B. Consider Adoption of the Proposed Revision to VCERA's Investment Policy.  
**RECOMMENDED ACTION: Approve.**

1. Staff Letter by C.I.O., Dan Gallagher.
2. Proposed Investment Policy.
3. Proposed Investment Policy (Redline).

Mr. Gallagher the proposed policy recommended for adoption by the Board incorporated its just-adopted asset allocation in agenda item VI.A.

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

MOTION: Approve the Proposed Revisions to VCERA's Investment Policy, including the Asset Allocation in Exhibit B.

Moved by Hintz, seconded by Bennett.

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hintz, Sedell, Shapiro, Wilson

No: -

Absent: Bianchi, McCombs, Winter

Abstain: -

C. Preliminary Performance Report for Month Ending April 30, 2019.  
**RECOMMENDED ACTION: Receive and file.**

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

MOTION: Receive and File.

Moved by Goulet, seconded by Hintz.

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hintz, Sedell, Shapiro, Wilson

No: -

Absent: Bianchi, McCombs, Winter

Abstain: -

- D. Quarterly Investment Performance Report for Period Ending March 31, 2019.  
**RECOMMENDED ACTION: Receive and file.**

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

MOTION: Receive and File.

Moved by Sedell, seconded by Goulet.

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hintz, Sedell, Shapiro, Wilson

No: -

Absent: Bianchi, McCombs, Winter

Abstain: -

After voting on this item, the Board advanced to item VIII.B. "Proposed Changes to VCERA Bylaws."

**VII. OLD BUSINESS**

- A. None.

**VIII. NEW BUSINESS**

- A. Review and Adoption of Proposed Fiscal Year 2019/20 Budget.  
**RECOMMENDED ACTION: Approve.**

1. Staff Letter.
2. Proposed Budget for FY 2019/20.

Ms. Webb said that the pending office renovation information was not included in the budget but would be provided separately after staff had received all estimated costs for the office renovation from the project manager. She added that the budget was essentially status quo, except for items such as funding for an internal audit, 415 limits testing, and an increase in Vitech's hourly rate and hosting. She noted that VCERA's System Administrators, who formerly worked in Operations, now reported to the Chief Technology Officer (CTO). Ms. Webb also had two staffing requests—an additional I.T. position and an additional administrative position—that she had withdrawn from in the 2019-20 budget in light of the upcoming renovation costs, but she noted that staff planned to bring that request to the Board in the future.

Chair Wilson asked Ms. Webb when she wanted to hire a person for the I.T. position.

Ms. Webb replied within a year ideally, adding that the CTO had conducted extensive research to substantiate staff's anticipated request. The other staffing request for an administrative position aimed to support executive staff and the current administrative staff member, who also served as VCERA's human resources representative, payroll clerk and Board clerk.

Trustee Goulet agreed that the positions were needed and that an additional administrative position would allow the senior managers more time to manage the office remodel. Considering

how long it took to acquire a CTO position with the right compensation level, he believed that VCERA should start recruiting for the I.T. position as soon as possible. Trustee Goulet also raised concern about the cost to VCERA to host its data with Vitech.

Trustee Goulet also expressed surprise at the increased cost of Worker's Compensation insurance.

Mr. Solis said he had researched the matter and learned that the cost increase was due to a normal rate increase and a few small claims among staff.

Chair Wilson asked if VCERA purchased Worker's Compensation insurance through the County of Ventura. Trustee Goulet suggested that the Board may want to consider purchasing its own policy.

Mr. Solis replied that the Board may be able to do that for VCERA's five executive employees, but not for the rest of staff, who were County employees.

Trustee Goulet raised a concern about the annual license fee paid to Vitech for potential change orders, noting that VCERA already had to pay an additional hourly rate to the vendor. He asked if staff had researched what VCERA received for the fee.

Ms. Oliver said she had discussed with Vitech the licensing fee, which gave VCERA the license to use the vendor's software, including the Oracle database, and to receive back-end updates and system patches.

Ms. Webb added that other CERL systems using the V3 system also paid Vitech's fee.

Trustee Goulet asked about a budget item to pay ADP to issue VCERA's payroll checks because he thought staff had taken over a process that ADP had performed for VCERA.

Ms. Webb and Mr. Solis described the process by which VCERA provides a monthly file to ADP, which processes and produces payroll checks on behalf of VCERA.

Trustee Bennett left before the vote on this item at 11:18 a.m.

MOTION: Approve with the Inclusion of an I.T. and an Administrative Position.

Moved by Goulet, seconded by Hintz.

Vote: Motion carried

Yes: Ashby, Goulet, Hintz, Sedell, Shapiro, Wilson

No: -

Absent: Bennett, Bianchi, McCombs, Winter

Abstain: -

After voting on this item, the Board advanced to item VIII.D. "Discussion Regarding VCERA's 2019 Board Retreat."

B. Proposed Changes to VCERA Bylaws.

**RECOMMENDED ACTION: Approve.**

1. Staff Letter.
2. VCERA Bylaws (Redline).
3. Staff Letter and Redline sent to County with Request for Feedback on November 1, 2018.
4. Response from County on Bylaws, dated February 19, 2019.
5. VCERA's Response to County on Bylaws, dated February 27, 2019.
6. Response from County on Bylaws, dated April 8, 2019.
7. VCERA's Response to County on Bylaws, dated May 3, 2019.

Ms. Webb summarized the timeline and interactions between staff and the County of Ventura over the last seven months, noting that three unresolved issues remained with the County: how proposed agenda items were brought to the Board from trustees, how pensionable compensation was determined, and whether the disability procedures addendum should be removed from the bylaws. She said that unless staff believed a plan sponsor's request was problematic from a legal, fiduciary or administrative perspective, VCERA's approach has always been to consider its wishes and accommodate whenever possible. Staff believed its position on the three bylaws issues were well founded.

Mr. Pode from Ventura County Risk Management addressed the Board and said that he did not see a compelling reason to separate VCERA's disability procedures from its bylaws. He requested that the Board consider the County's request to keep them together.

Mr. Atin from the Ventura County CEO's Office addressed the Board and commented that the County had had a long and fruitful partnership with VCERA and had been flexible on past issues. He did not believe that the County's request posed any legal or administrative issue. Regarding the Board agenda item issue, he believed that every trustee should be able to request that an item be agendaized. Regarding the disability procedure issue, he believed the current arrangement had been in place for many years for good reason, and that Ventura's process was better than other CERL systems. Mr. Atin requested that the disability procedures be retained in the bylaws and that the Board consider the County's requests regarding agenda items and pensionable compensation.

Ms. Webb replied that updating the bylaws did not require the disability procedures to be attached. She observed that most other CERL retirement systems do not attach disability procedures to their bylaws, and those that do are smaller systems. She said staff was not advocating to eliminate Risk Management as a partner in the disability retirement process. However, because the legal fiduciary responsibility for administering disability retirement rested with the Board of Retirement, staff believed it would add risk from a fiduciary perspective for the Board to be responsible for a process without authority to administer it. Consequently, staff believed it more prudent to detach the disability procedures from the bylaws.

Chair Wilson expressed concerns that the current process took too long, that Worker's Compensation information found its way into Board discussions on disability cases, and that disability cases for County management employees needed to be handled in an unbiased way.

Ms. Webb remarked that staff had met with Risk Management over the years to improve its disability retirement process and would continue to do so.

Trustee Sedell said correspondence had been exchanged between VCERA and the County, but it may be best for the parties to discuss the issues in person to reach agreement.

Trustee Bennett agreed and suggested that the Board delay making a decision today before possible agreement can be reached. The results of the meeting could then be presented to the Board.

Ms. Webb said that staff was open to meeting with the County.

Trustee Goulet, citing an earlier comment from Mr. Pode, said any document the Board of Retirement adopted was already available to the public and that keeping the procedures with the bylaws would not make them more transparent than they already were. He said that in VCERA's correspondence with the County, he thought there had been plenty of discussion of the three issues, but he felt that the County wanted to interfere in how the Board conducted its business. He also thought that the law allowing the County to approve VCERA's bylaws was an anachronism that went back to a time when the County managed the retirement system. He said that how the agenda was produced was the Board's discretion.

Trustee Sedell replied that he believed that staff and the County should meet and, if no agreement was reached, each party could provide a detailed report to their respective boards.

Ms. Webb asked Mr. Atin if the County had its legal counsel review the correspondence, as she believed that VCERA had a solid legal argument for its position, particularly related to pensionable compensation, the law was clear that the Board of Retirement was the final authority. She was confident that VCERA's fiduciary counsel would agree that the Board retained authority on the matter. Ms. Webb said that on the issue of agenda items, there was no known instance that a proposed item from a trustee was blocked from being agendized. She also noted that staff had presented the County with case law to support its position, but the County had not cited any laws to support its position, but made statements of preference.

Trustee Sedell again said that the parties should meet to explore whether the County had legal arguments to substantiate its positions.

Mr. Atin said that County Counsel had reviewed the correspondence. On the issue of a trustee's ability to agendize an item, the County did not intend to interfere with VCERA's processes, but simply provided feedback. Regarding pensionable compensation, he noted that past disagreement on market-based premium pay was resolved after much discussion and eventual agreement. Regarding disability procedures, he hoped that staff would meet with the County to discuss the ultimate desired outcome of the changes and how the parties can achieve those goals together.

Trustee Sedell remarked that resolving these issues could require the involvement of legal counsels on both sides, as occurred on the market-based premium pay issue.

Trustee Hintz agreed that this agenda item should be tabled for another meeting and that staff and the County should meet to try to reach an agreement.

Chair Wilson suggested that the counsels for both parties also meet to discuss the issues.



Trustee Bennett said he felt strongly that anyone should be allowed to have an item placed on the agenda. Regarding Mr. Goulet's comments about an outside body having input in the affairs of the Board, he said the County has a unique partnership with VCERA. Mr. Bennett explained that the County was interested in the pensionable compensation issue because county taxpayers have a financial interest and that, although the Board of Retirement has fiduciary responsibility for the fund, the County is responsible to fund it. Lastly, he agreed there had to be a way to resolve impasses, but he preferred that an agreement was reached.

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

MOTION: Table the Item to Allow VCERA Staff and the County of Ventura to Meet and Discuss the Unresolved Issues.

Moved by Sedell, seconded by Bennett.

Vote: Motion carried

Yes: Ashby, Bennett, Hintz, Sedell, Shapiro, Wilson

No: Goulet

Absent: Bianchi, McCombs, Winter

Abstain: -

- C. Request from Retired Employees Association (REAVC) for Authorization for Payroll Deductions for Retiree Supplemental Insurance Program with Pacific Group Agencies, Inc.
1. Staff Letter.
  2. Letter from REAVC.

Ms. Webb said that REAVC requested that the Board authorize a new payroll deduction for a supplemental insurance program recently adopted for the organization. To keep retirees' contact information private, staff would coordinate with a third-party vendor to mail notices to retirees about the insurance program.

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

MOTION: Approve.

Moved by Sedell, seconded by Hintz.

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hintz, Sedell, Shapiro, Wilson

No: -

Absent: Bianchi, McCombs, Winter

Abstain: -

After voting on this item, the Board returned to item VIII.A. "Review and Adoption of Proposed Fiscal Year 2019/20 Budget."

- D. Discussion Regarding VCERA's 2019 Board Retreat.

Chair Wilson requested the Board's comments on last year's retreat and suggestions for the 2019 retreat.

Ms. Webb said that staff is seeking speakers and topics engaging enough to have the full Board in attendance, including topics for new trustees.

Trustee Hintz suggested a half-day retreat as well as hearing items that help Board members attain their educational requirements, such as ethics training.

Ms. Webb said that she and Mr. Gallagher would work on collecting a few administrative and investment items with the goal of a half-day board retreat.

**IX. INFORMATIONAL**

A. CALAPRS Principles of Pension Government for Trustees.

B. Correspondence from Loomis Sayles: Dan Fuss Honored at 2019 US Morningstar Awards for Investing.

**X. PUBLIC COMMENT**

None.

**XI. STAFF COMMENT**

Ms. Webb informed the Board that there were potential layoffs at the Health Care Agency that could impact staff's workload.

**XII. BOARD MEMBER COMMENT**

None.

**XIII. ADJOURNMENT**

The Chair adjourned the meeting at 11:34 a.m.

Respectfully submitted,



LINDA WEBB, Retirement Administrator

Approved,



WILLIAM WILSON, Chairman