VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

OCTOBER 21, 2019

MINUTES

TRUSTEES PRESENT: William W. Wilson, Vice Chair, Public Member
Steven Hintz, Treasurer-Tax Collector
Steve Bennett, Public Member
Jordan Roberts, General Employee Member
Arthur E. Goulet, Retiree Member
Will Hoag, Alternate Retiree Member
Robert Ashby, Safety Employee Member
Ed McCombs, Alternate Public Member

TRUSTEES ABSENT: Mike Sedell, Public Member
Craig Winter, General Employee Member

STAFF PRESENT: Linda Webb, Retirement Administrator
Lori Nemiroff, County Counsel
Dan Gallagher, Chief Investment Officer
Julie Stallings, Chief Operations Officer
Leah Oliver, Chief Technology Officer
Chris Ayala, Program Assistant

PLACE: Ventura County Government Center
Hall of Administration Building, Multi-Purpose Room
800 S. Victoria Avenue
Ventura, CA 93009

TIME: 9:00 a.m.

ITEM:

I. CALL TO ORDER

Vice-Chair Wilson called the Business Meeting of October 21, 2019, to order at 9:02 a.m.

II. APPROVAL OF AGENDA

MOTION: Approve.

Moved by Goulet, seconded by Ashby.

Vote: Motion carried
Yes: Ashby, Goulet, McCombs, Roberts, Wilson
No: -
Absent: Bennett, Hintz, Sedell, Winter
Abstain:

III. APPROVAL OF MINUTES

A. Disability Minutes of October 7, 2019.

Trustee Robert offered a correction to the minutes for page 9 where the acronym for the Ventura County Professional Firefighters' Association was listed incorrectly.

Trustee Goulet also offered a couple of corrections. He noted that on page 4, Trustee Bennett was listed as both present and absent; on page 10, in the last sentence of the 5 paragraph, the minutes had quoted him as saying, "Trustee Goulet speculated that this could prove detrimental to the County in Worker's Compensation cases", but what he actually said was, "Trustee Goulet speculated that the County of Ventura might believe that it could prove detrimental to the County's worker's compensation cases".

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

MOTION: Approve the Minutes as Amended.

Moved by Goulet, seconded by Ashby.

Vote: Motion carried
Yes: Ashby, Goulet, McCombs, Roberts, Wilson
No: -
Absent: Bennett, Hintz, Sedell, Winter
Abstain:

IV. CONSENT AGENDA

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

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

C. Receive and File Budget Summary for FY 2019-20 Month Ending September 30, 2019.

MOTION: Receive and File.

Moved by McCombs, seconded by Ashby.

Vote: Motion carried
Yes: Ashby, Goulet, McCombs, Roberts, Wilson
No: -
Absent: Bennett, Hintz, Sedell, Winter
Abstain:

Trustee Bennett arrived at 9:06 a.m., after the vote on this item.

V. INVESTMENT MANAGER PRESENTATIONS

A. Presentations from Abbott Capital Management.

1. Receive Annual Presentation from Abbott Capital Management, Young Lee and Matthew M. Smith.

2. Staff Letter by C.I.O., Dan Gallagher regarding CA Govt. Code Section 7514.7 Annual Reporting.

3. Receive CA Govt. Code Section 7514.7 Annual Report from Abbott for Private Equity Investments.

Young Lee and Matthew M. Smith reviewed Abbott Capital Management's organizational changes, and discussed the firm's investment outlook, portfolio strategy, composition and performance.

Trustee Hintz arrived 9:15 a.m., during the annual presentation from Abbott Capital Management.

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

MOTION: Receive and File CA Govt. Code Section 7514.7 Annual Report.

Moved by Ashby, seconded by McCombs.

Vote: Motion carried
Yes: Ashby, Bennett, Goulet, Hintz, McCombs, Roberts, Wilson
No: -
Absent: Sedell, Winter
Abstain:

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

Clark W. Holland reviewed Reams Asset Management's organizational changes, and discussed the firm's investment outlook, portfolio strategy, composition and performance.

C. Receive Annual Presentation from Western Asset Management, Henry P. Hamrock and Julien Scholnick.

Henry P. Hamrock and Julien Scholnick reviewed Western Asset Management's organizational changes, and discussed the firm's investment outlook, portfolio strategy, composition and performance.

The Board took a break at 10:12 a.m., after the presentation by Western Asset Management.

The Board returned from break at 10:22 a.m.

VI. INVESTMENT INFORMATION

NEPC – Allan Martin.
VCERA – Dan Gallagher, Chief Investment Officer.

A. CA Govt. Code Section 7514.7 Annual Report.
RECOMMENDED ACTION: Receive and file.

Mr. Gallagher said this item was the California mandated disclosure report on the two private credit managers, which had been prepared by NEPC.

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

MOTION: Receive and File the CA Govt. Code Section 7514.7 Annual Report.

Moved by Hintz, seconded by Goulet.

Vote: Motion carried
Yes: Ashby, Bennett, Goulet, Hintz, McCombs, Roberts, Wilson
No: -
Absent: Sedell, Winter
Abstain:

B. $50 Million Commitment to Brookfield Infrastructure Fund IV, Dan Heffernan and Scott Peak.
RECOMMENDED ACTION: Approve.

1. Staff Letter by C.I.O., Dan Gallagher.
2. Recommendation Memorandum from NEPC.
3. Research Memorandum from NEPC.
4. Brookfield Presentation Material.

Mr. Gallagher said this item was a continuation of the VCERA Real Assets program development, and the recommendation was for a $50 million commitment to Brookfield's Infrastructure Fund IV.

Scott Peak made a short presentation regarding Brookfield's Infrastructure Fund IV.
Trustee Goulet commented that he was concerned that the fees related to the investment in Brookfield were based on commitment.

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

MOTION: Approve an Investment Commitment of $50 Million to Brookfield Infrastructure Fund IV; and, Subject to Successful Contract Negotiations and Legal Approval, Authorize the Board Chair or the Retirement Administrator to Approve and Execute the Required Documentation.

Moved by Ashby, seconded by Hintz.

Vote: Motion carried
Yes: Ashby, Bennett, Goulet, Hintz, McCombs, Roberts, Wilson
No: -
Absent: Sedell, Winter
Abstain:

C. $25 Million Additional Commitment to PIMCO Private Income Fund.
RECOMMENDED ACTION: Approve.

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

2. Recommendation Memorandum from NEPC.

3. PIMCO Presentation Material.

Mr. Gallagher reminded the Board that they had approved an allocation of $30 million earlier in the year to the fund, and it was also a continuation of the plan to build out VCERA's exposure to private credit investments.

Trustee Goulet commented that the Board's previous $30 million investment had a fee of 1% and asked why the fee related to this investment was more than 1%.

Mr. Gallagher replied that due to the timing of VCERA's interest in investing an additional $25 million in the fund it had missed the opportunity to receive the larger discounts available to earlier investors.

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

MOTION: Approve a $25 Million Increased Commitment to PIMCO's Private Income Fund; and, Subject to Approval of Board Counsel, Authorize the Board Chair or the Retirement Administrator to Approve and Execute the Required Contract Addendum.

Moved by Goulet, seconded by Hintz.

Vote: Motion carried
Yes: Ashby, Bennett, Goulet, Hintz, McCombs, Roberts, Wilson
No:
Absent: Sedell, Winter
Abstain:

D. Preliminary Performance Report Month Ending September 30, 2019.
RECOMMENDED ACTION: Receive and file.

Mr. Martin presented the Preliminary Performance Report for September 2019 to the Board.

Trustee Bennett left at 11:01 a.m., before the vote on this item.

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

MOTION: Receive and File.

Moved by Hintz, seconded by Ashby.

Vote: Motion carried
Yes: Ashby, Goulet, Hintz, McCombs, Roberts, Wilson
No: -
Absent: Bennett, Sedell, Winter
Abstain:

VII. OLD BUSINESS

None.

VIII. NEW BUSINESS

A. VCERA 2019-20 Business Plan.
RECOMMENDED ACTION: Approve.

1. Proposed 2019-20 Business Plan.

Ms. Webb reminded the Board that the previous year's Business Plan had included a supplemental risk assessment regarding VCERA's data integrity for the Supplemental Risk Assessment portion of the plan. Because an updated assessment would require review of recent activity and because the updated assessment would be more comprehensive, she said that staff anticipated bringing that report on November 4th.

Ms. Webb explained that VCERA had a policy requiring the Retirement Administrator to present a business plan to the Board on an annual basis. The Business Plan was generally structured in three sections, with section one on the status of the previous year's goals, the second section contained information on VCERA's current risks, and then a third section to set new or updated objectives to address those risks. She noted that the majority of the previous year's objectives were either accomplished or on track to be accomplished according to their respective timelines, with the exception of data integrity objective. She also noted that a new risk priority designation labeled "perpetual risk" had been added to cover items that were by nature ongoing, such as achieving the assumption rate or risk of impactful legislation.

She said that two notable risks that were covered in the Business Plan were the shortcomings of the current disability process, on which the Board had taken action at the previous disability meeting, and the long-standing data integrity issue.

Trustee Wilson asked if staff had met with the Auditor-Controller, Mr. Burgh, regarding the issues in question.

Ms. Webb replied that since the last report, staff had met with both Mr. Burgh and Ms. Amy Herron who was the deputy in charge of the payroll section responsible for resolving the issues, and regular meetings between VCERA staff and A-C staff took place to update the status of the work.

Trustee Goulet remarked that the issues mentioned with the Auditor-Controller had been an ongoing problem for quite some time. He then asked staff to provide the Board with some recommendations regarding solutions for the Board to force the Auditor-Controller to resolve the issues mentioned.

Ms. Webb replied that the report would provide potential next steps to help VCERA in resolving the data issue.

Trustee Goulet said that he also wanted to request some additional items be added to the plan, such as, a resolution to objective #2 on page 2 and a search for a more reasonably priced and qualified host for VCERA's data. He also indicated he would like an analysis of what VCERA received for its advance annual fee to Vitech.

Ms. Webb replied that VCERA's Chief Technology Officer, Leah Oliver had already put together a preliminary report on those items. Also, regarding the co-development item, while Ms. Oliver was still exploring co-development opportunities, however, the assessment so far was not promising because V3 was such a customized system.

The Board then deferred the item to the next Board Meeting.

B. Proposed Board of Retirement Meetings Calendar.
RECOMMENDED ACTION: Approve.

1. Staff Letter.

Ms. Webb reminded the Board adopted a meeting schedule annually and staff had used the typically approach in proposing the first and third Mondays of the month for Board meetings, while also trying to avoid meetings on consecutive Mondays whenever possible.

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

MOTION: Approve the Proposed Board of Retirement Meetings Calendar for 2020.

Moved by Hintz, seconded by Goulet.

Vote: Motion carried
Yes: Ashby, Goulet, Hintz, McCombs, Roberts, Wilson
No: -
Absent: Bennett, Sedell, Winter
Abstain:

C. SACRS Business Meeting Agenda Items.
RECOMMENDED ACTION: Give Direction to Voting Delegate.

1. Legislative Proposal Materials for the November 15, 2019 SACRS Business Meeting.

2. Notice Regarding the SACRS Business Meeting legislative Items.

Ms. Webb referenced the provided SACRS Business Meeting Agenda item and asked the Board to provide direction to the voting delegate regarding Senate Bill (SB) 783 and a legislative proposal from LACERA.

Trustee Goulet said that he would like to move that the Board direct the voting delegate to vote in favor of SB 783, which was a comprehensive piece of legislation and to support LACERA's sponsored bill.

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

MOTION: Direct the Voting Delegate to Vote in Support of SB 783 and LACERA's Sponsored Bill.

Moved by Goulet, seconded by Ashby.

Vote: Motion carried
Yes: Ashby, Goulet, Hintz, McCombs, Roberts, Wilson
No: -
Absent: Bennett, Sedell, Winter
Abstain:

D. Authorization for On Site Due Diligence Visit Travel to UBS and Bridgewater
RECOMMENDED ACTION: Approve.

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

Trustee Goulet stated that he would like to move that the Board approve the authorization for the on site due diligence visit, as well as and receive and file the quarterly reports from the Retirement Administrator and the Chief Investment Officer, which were items E and F.

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

MOTION: Approve Authorization for an On-Site Due Diligence Visit to UBS and Bridgewater and Receive and File the Quarterly Reports for July – September 2019 for the Retirement Administrator and the Chief Investment Officer.

Moved by Goulet, seconded by Hintz.

Vote: Motion carried
Yes: Ashby, Goulet, Hintz, McCombs, Roberts, Wilson
No: -
Absent: Bennett, Sedell, Winter
Abstain:

E. Quarterly Retirement Administrator's Report for July – September 2019.
RECOMMENDED ACTION: Receive and file.

F. Quarterly Chief Investment Officers Report for July – September 2019.
RECOMMENDED ACTION: Receive and file.

IX. INFORMATIONAL

A. CarVal Investors Announcement.

X. PUBLIC COMMENT

None.

XI. STAFF COMMENT

Ms. Webb informed the Board that staff had arranged for a photographer to come to the VCERA office to take trustee photos after the next meeting VCERA. She also said the office renovation had been going well.
Ms. Webb informed that Board that the County of Ventura's request for a stay of the Civil Service Commission's decision in the case of Tracy Towner had been granted, which was the reason he was not in attendance. She reminded the Board that in December staff would be bringing the annual appointment of Chair and Vice-Chair item.

XII. BOARD MEMBER COMMENT

Trustee Goulet commented on a recent decision in Mr. Towner's court case. He said that he thought it was presumptuous of the counsel for the County of Ventura to raise the issue of the Board of Retirement's option to have Mr. Towner replaced on the Board, and he believed it had no context to the subject of the hearing.

XIII. ADJOURNMENT

The meeting was adjourned at 11:29 a.m.

Respectfully submitted,

Linda Webb

LINDA WEBB, Retirement Administrator

Approved,

WILLIAM WILSON, Vice-Chairman