

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

JANUARY 9, 2023

MINUTES

TRUSTEES

PRESENT:

Mike Sedell, Chair, Public Member
Arthur E. Goulet, Vice-Chair, Retiree Member
Sue Horgan, Treasurer-Tax Collector
Jordan Roberts, General Employee Member
Aaron Grass, Safety Employee Member
Kelly Long, Public Member
Tommie E. Joe, Public Member
Will Hoag, Alternate Retiree Member
Robert Ashby, Alternate Safety Employee Member

TRUSTEES

ABSENT:

Cecilia Hernandez-Garcia, General Employee Member

STAFF

PRESENT:

Linda Webb, Retirement Administrator
Lori Nemiroff, General Counsel
Dan Gallagher, Chief Investment Officer
La Valda Marshall, Chief Financial Officer
Leah Oliver, Chief Technology Officer
Shalini Nunna, Retirement Benefits Manager
Josiah Vencel, Retirement Benefits Manager
Brian Owen, Sr. Information Technology Specialist
Jess Angeles, Communications Officer
Chris Ayala, Program Assistant

PLACE:

In Accordance with Government Code §54953(e)(1)(A), and in response to the declared State and Local emergencies due to the Novel Coronavirus and Local Health Officer recommendation regarding social distancing, the Board of Retirement and its legislative bodies are holding meetings electronically and can be accessed below. Pursuant to Government Code §§ 54953(e)(2) and 54954.3, members of the public, to the extent required by law, will have the opportunity to directly address the Board concerning the below mentioned business.

TIME:

9:00 a.m.

ITEM:

I. CALL TO ORDER

A. Roll Call.

B. Oath of Office for Sue Horgan to be Administered by VCERA Board Clerk.

Chair Sedell called the Disability Meeting of January 9, 2023, to order at 9:02 a.m.

Roll Call:

Trustees Present: Aaron Grass, Art Goulet, Sue Horgan, Tommie Joe, Kelly Long, Jordan Roberts, Will Hoag, Robert Ashby, Mike Sedell

Trustees Absent: Cecilia Hernandez-Garcia

Chair Sedell then welcomed Sue Horgan to the Board of Retirement and noted that she brought a wealth of knowledge to the Board.

Trustee Horgan was then administered the Oath of Office.

II. APPROVAL OF AGENDA

Chair Sedell said that the Board would adjourn the meeting out of Closed Session because he did not anticipate any Board action from the Closed Session.

Ms. Webb said the Board and staff would also like to welcome Amy Herron, VCERA's new Chief Operations Officer. Ms. Herron was coming to VCERA from the County of Ventura, Auditor-Controller's Office, and was familiar with several of the challenges that VCERA was facing.

MOTION: Approve as Amended.

Moved by Long, seconded by Joe.

Vote: Motion carried

Yes: Ashby, Grass, Goulet, Horgan, Joe, Long, Roberts, Sedell

No: -

Absent: Hernandez-Garcia

Abstain: -

III. RECEIVE AND FILE PENDING DISABILITY APPLICATION STATUS REPORT

MOTION: Receive and File.

Moved by Goulet, seconded by Roberts.

Vote: Motion carried

Yes: Ashby, Grass, Goulet, Horgan, Joe, Long, Roberts, Sedell

No: -

Absent: Hernandez-Garcia

Abstain: -

IV. APPLICATIONS FOR DISABILITY RETIREMENT

- A. Application for Nonservice and Service-connected Disability Retirement—Maher, David; Case No. 20-009.
1. Petition for Reconsideration, filed by David Maher, Applicant, dated December 12, 2022.
 2. Opposition to Petition for Reconsideration, filed by Stephen Roberson, Attorney for Respondent, County of Ventura-Risk Management, dated December 16, 2022.
 3. Proposed Findings of Fact, Conclusions of Law and Recommended Decision to Deny the Application for Nonservice- and Service-connected Disability Retirement, filed by Hearing Officer Irene Ayala, dated August 31, 2022.
 4. Application for Service-connected Disability Retirement, filed by Applicant on March 10, 2020, with Amendment to include Application for Nonservice-connected Disability Retirement.
 5. Hearing Notice, dated January 3, 2023.

Stephen Roberson, Attorney at Law, and Catherine Laveau were present on behalf of the County of Ventura-Risk Management. Josiah Vencel was present on behalf of VCERA. The applicant, David Maher, was also present.

Trustee Goulet noted that section 12 of the Disability Hearing Procedures stated that the Petitioner should state in his petition if he or she desired to discuss the merits of the petition at the meeting, which Mr. Maher had failed to do.

Ms. Nemiroff said that the Board could prevent Mr. Maher from speaking at the meeting, but in the interest of due process, and given the Board had the written statement from him, she believed it would be prudent to allow Mr. Maher to speak.

Chair Sedell said that he believed it was appropriate to allow Mr. Maher to have the usual 5 minutes to read a summary of his written statements to the Board.

Mr. Vencel made a summary statement.

Because Mr. Maher was experiencing audio issues, Ms. Webb read aloud the written statement provided by Mr. Maher.

Mr. Roberson provided a brief response to the written statement.

MOTION: Deny the Request for Reconsideration for Nonservice-connected and Service-connected Disability Retirement.

Moved by Grass, seconded by Joe.

Vote: Motion carried

Yes: Ashby, Grass, Goulet, Horgan, Joe, Long, Roberts, Sedell

No: -

Absent: Hernandez-Garcia

Abstain: -

V. OLD BUSINESS

A. Reconsideration of Circumstances to Enable Board to Hold Meetings via Teleconference Under the Provisions of Government Code Section 54953, Subdivision (e), of the Ralph M. Brown Act, Due to State of Emergency and Consider Authorization for Continued Remote Teleconference Meetings.

1. Staff Letter from Retirement Administrator.
2. Letter from Dr. Robert Levin, Ventura County Health Officer.

MOTION: Approve 30-Day Teleconferencing for the Period of January 9, 2023, to February 8, 2023.

Moved by Long, seconded by Ashby.

Vote: Motion carried

Yes: Ashby, Grass, Goulet, Horgan, Joe, Long, Roberts, Sedell

No: -

Absent: Hernandez-Garcia

Abstain: -

B. Consideration and of Amendments to VCERA Management Employees' Resolution and Following Recent Changes to County Management Resolution

1. Staff Letter from Retirement Administrator.
To be Provided.
2. VCERA Management Employees' Resolution Reflecting Remaining Potential Revisions (Redline).
To be Provided.

Trustee Goulet commented that he did not believe that the increase for 2024 should be considered because it would create confusion because if the Board fulfilled its responsibility to conduct a Market-Based Compensation Study in 2024, the Board would not be approving a Cost of Living adjustment because that would be taken into account in the study.

Chair Sedell agreed that the Board should conduct a Market-Based Compensation Study in 2024, but the study should take into account any General Salary Increases (GSIs) that would be appropriate, so it could be argued either way.

Trustee Grass said that he would object to the salary increases for the same reasons he mentioned before at the previous meeting. He said that all County employees under the Management Resolution would be receiving the GSIs, however, the civilian employees at the Sheriff's Office and the Fire Department would not be. Only selected groups of employees represented by SEIU and some employees under the Management Resolution were receiving the GSIs, therefore his objection

was based on the fact that the Board's Ad-hoc Compensation Committee had done a Compensation Survey last Summer, so he felt that VCERA's executive staff was being compensated accordingly.

Chair Sedell noted that one of the things that the Board should consider was that all the County employees who worked at VCERA would be getting the salary increases, except for the VCERA employees.

Trustee Roberts added that as an employee covered under the County's Management Resolution, every County employee covered under the Management Resolution had received those GSIs, and those that had not most likely would receive them soon given the Memorandums of Agreements were open for negotiations at different times. So, the County employees at VCERA would be receiving those GSIs, and VCERA's executive staff would not.

Trustee Grass said that he understood that, but the County employees at VCERA also did not receive a salary increase in 2022, nor did they get additional compensation contributed to their 401(k)s, like VCERA's executive managers received.

Trustee Roberts noted that those increases were based on the Market-Based Compensation Study.

Trustee Grass said that he still objected to approving the GSIs.

Chair Sedell said that Trustee Goulet was recommending that the GSI scheduled for 2024 be taken out of the recommendation, because the Board would be conducting another Market-Based Compensation Study, that would bring VCERA's employees to parity. However, he understood that the County had approved GSIs for all employees, in addition to Market-Based Adjustments (MBAs) for some employees covered under their Management Resolution, based on their market study. So, it was a decision that the Board could make right now, or they could wait until 2024.

Trustee Roberts said that they were late in conducting the previous Market-Based Compensation Study, so the Board would need to adopt larger salary increases than they would have if they had been doing the market study more regularly. He also felt that the proposed GSI for 2024 should be left in because it could be factored in when they do their market-based compensation study that year. The Board should also consider the item as a routine one that would be considered or adopted, instead of having to come back every 3 years to debate on whether they were going to tie their staff compensation decisions to what their County peers were doing.

Trustee Long said she agreed with Trustee Roberts that the Board should keep that proposed GSI for 2024 in the recommendation, to make sure that their employees remained whole, and to avoid a problem if there were a delay in conducting the study.

Trustee Roberts then said that the Board could also consider having the market-based compensation study done in 2025 instead of 2024.

Trustee Goulet said he thought that the Board was interested in getting back to having the market-based compensation study done every 3 years because they had been late in having it done previously. Also, he was going to suggest after the Board decided how much of an increase they were going to grant, that staff be directed to agendize the appointment of an Ad-hoc Committee at the end of 2023, to conduct a market-based analysis in 2024.

Chair Sedell said that if the Board were to leave the 3.5% GSI for 2024 in the recommendation, then it could be assumed that it was the "floor" for the market-based compensation study, and without that

floor, the salary increase could end up being above or below the 3.5%, which was something to consider.

MOTION: Approve General Salary Increases (GSIs) for all VCERA employees in the following amounts: 5.5% effective December 25, 2022, 4.0% effective December 24, 2023, and 3.5% effective December 22, 2024.

Moved by Roberts, seconded by Ashby.

Vote: Motion carried

Yes: Ashby, Horgan, Long, Roberts, Sedell

No: Grass, Goulet, Joe

Absent: Hernandez-Garcia

Abstain: -

Chair Sedell said that the Board needed to now consider whether to grant the two \$1,000 Lump Sum payments to VCERA's Executive Manager Employees, because all of the County employees at VCERA would be receiving them and VCERA's executive managers would be excluded otherwise.

Trustee Goulet remarked that he did not believe that the Board should grant the lump sum payments because the provisions in SB 154 pertained to a retention bonus to those who were involved in healthcare, and it was later extended to peripheral employees involved in healthcare and their exposure to COVID. However, VCERA's employees had nothing to do with that, and besides which SB 154 did not grant those payments to management employees, because they were exempt.

Chair Sedell remarked that he was not aware that the County management employees were not eligible for the two lumpsum payments.

Trustee Goulet added the recommendation that was presented to the Board of Supervisors was to grant the two lump sum payments to the management employees who were not eligible for the payments under SB 154. He was unsure why the County decided to grant the payments to the rest of the employees covered under the Management Resolution who were not in positions where they would be significantly exposed to COVID.

Ms. Herron confirmed that all employees covered under the County's Management Resolution would indeed receive the two lump sum payments.

Trustee Long appreciated Trustee Goulet's comments and said that she was opposed to granting the two lump sum payments for the VCERA employees because the Board had just recently granted them a one-time market-based adjustment.

Trustee Goulet also noted that the County had made a substantial change to the Flexible Benefit Allowance, which he believed that the Board should adopt, but as he understood it, the County was eliminating the opt-out fee. Also, if an employee signed up for County sponsored health insurance plan, the employee would receive a payment from the County for that, but if an employee chose to opt out, they would receive a small cash allowance, which he did not have a problem adopting a similar change for the VCERA employees.

Ms. Webb said that the Board could consider adopting the 2 other redline changes to VCERA Employees Management Resolution given the two one-time lumpsum payments were not included in the Resolution. Therefore, the Board would just be considering the changes to the Flexible Benefit Plan and the addition of June 19th as a paid holiday.

Trustee Roberts then made a motion to approve the remainder of the items in the proposed VCERA Employees Management Resolution.

Trustee Long seconded the motion.

Ms. Webb suggested that Trustee Roberts consider amending his motion so that it would be to adopt the changes in the redline of VCERA Employees Management Resolution, except for Exhibit 1, which was previously acted on by the Board, to avoid a conflict for those trustees who voted against the adoption of the GSIs, so that they could still vote on the other changes to the Resolution.

Trustee Roberts agreed with amending his motion to say, "Approve the Remainder of the Items in the proposed VCERA Employees Management Resolution, with the Exclusion of GSIs on Exhibit 1, which were voted on Separately".

Trustee Long also agreed to amending the motion.

MOTION: Approve the Remainder of the Items in the Proposed VCERA Employees Management Resolution, with the Exclusion of the GSI's on Exhibit 1, Which were Voted on Separately.

Moved by Roberts, seconded by Long.

Vote: Motion carried

Yes: Ashby, Goulet, Horgan, Joe, Long, Roberts, Sedell

No: Grass

Absent: Hernandez-Garcia

Abstain: -

VI. NEW BUSINESS

A. Proposed Amendments to State Street Bank's Custody and Securities Lending Agreements.

RECOMMENDED ACTION: Approve.

1. Staff Letter from Chief Investment Officer.

Mr. Gallagher noted that the agenda item was comprised of 2 requests for the Board. One was the proposed fee increase for State Street Bank and the second was a request for approval for Securities Lending Non-Cash Collateral. Regarding the first request, State Street Bank had been providing master custody service for VCERA since 1997, and the last fee modification was effective January 1, 2014. State Street Bank was now requesting a 5% increase in Custody Foreign Exchange, Third Party Transactions, and also Class Action Claims. Both he and Mr. Martin believed that the fee increase was reasonable, and both recommended approval.

The second item was a request to expand the list of acceptable loan collateral to include Non-Cash Collateral for VCERA's Securities Lending program. If approved, it would expand the number of qualified borrowers, increase the number of securities that could be lent out, and increase VCERA's revenue, with no investment risk.

Chair Sedell then said that the requests should be voted on separately because some of the Trustees may be in favor of one of the requests, but not the other. He also asked Mr. Gallagher if he

could provide a little more information on the Securities Lending process because there were probably some trustees who were not familiar with that type of investment.

Mr. Gallagher said that he would be happy to provide an overview; however, he requested that the Board not only approve the item, but also authorize the CIO to approve negotiations before it was sent to VCERA's General Counsel for final legal review and approval of content and to execute the State Street Bank Fee increase and the request regarding Securities Lending.

Mr. Gallagher gave an overview of the Securities Lending investments for the Board.

Chair Sedell asked for the parameters of the negotiation.

Mr. Gallagher replied that he would ensure the wording was correct and consistent with what was discussed regarding the 5% fee increase for State Street Bank, which would be limited to only custody of third-party foreign exchange and class action claims. There were other services that State Street Bank provided that would not be subject to that increase. In terms of the non-cash collateral item, he would also ensure that the items listed in the attachment were simply expanded to the different types of collateral the program was authorized to accept in exchange for the loans, unless State Street Bank were to come back and request Board approval to add another specific type of collateral.

Chair Sedell noted the recommendation was a request for authorization of a contract amendment for both of those items because the Board was not providing parameters for negotiations of those two items; instead, the Board was simply letting State Street Bank know that this was what the Board had approved.

Mr. Gallagher said this was correct.

MOTION: Approve and Authorize the CIO to Negotiate a Contract Amendment to the State Street Custody Fee Schedule Adopted March 2, 2015, but Effective January 1, 2014, with the Proposed Fee Changes as Listed Above.

Moved by Horgan, seconded by Goulet.

Vote: Motion carried

Yes: Ashby, Grass, Goulet, Horgan, Joe, Long, Roberts, Sedell

No: -

Absent: Hernandez-Garcia

Abstain: -

Trustee Horgan noted that she would abstain because she did not know enough about Securities Lending yet to vote responsibly on the item.

MOTION: Authorize the CIO to Negotiate a Contract Amendment to the Securities Lending Authorization Agreement Between VCERA and State Street which was Approved by the Board and Executed in 1997, which the Amendment Adds Non-Cash Collateral to the Securities Lending Program's List of Acceptable Loan Collateral.

Moved by Goulet, seconded by Roberts.

Vote: Motion carried

Yes: Ashby, Grass, Goulet, Joe, Long, Roberts, Sedell

No: -

Absent: Hernandez-Garcia

Abstain: Horgan

MOTION: Delegate to the Retirement Administrator and the Board Chair the Authority to Execute Both Negotiated Contracts Amendments Upon Review and Approval by Board Counsel as to Form and Content with the Effective Date Retroactive to January 1, 2023.

Moved by Goulet, seconded by Ashby.

Vote: Motion carried

Yes: Ashby, Grass, Goulet, Horgan, Joe, Long, Roberts, Sedell

No: -

Absent: Hernandez-Garcia

Abstain: -

- B. Request from the County of Ventura to Engage VCERA's Actuary for Special Analysis of the Actuarial Impact of Exclusion of Non-Cashable Flex Credit from Compensation Earnable.
1. Staff Letter from Retirement Administrator.
 2. Request from County of Ventura Human Resources Director, Shawn Atin, and Subsequent Clarifying Communication

Ms. Webb related that staff had received a request from the County of Ventura for a special engagement of VCERA's actuary, Segal, to do a special study in advance of the anticipated exclusion of the non-cashable portion of flex credit from compensation earnable. The County hoped to identify the actuarial gain as a result of that exclusion. Staff had no objection in principle to the County's request and was ready to assist the County if approved. However, staff was concerned with how long it would take VCERA's data vendor, MBS to compile the data needed for Segal to conduct the County's study, and the potential of impact on VCERA's implementation plan for *Alameda* corrections.

Mr. Shawn Atin, Director of Human Resources for the County of Ventura, made the following public comment. The County and VCERA staff had been discussing whether the Board could potentially pass a Resolution in April 2023, where the portion of flex credit deemed pensionable might be reduced. There had been some discussions with SEIU, the Sheriff's Department, and Fire Department, as well as other unions, to help mitigate the impact of that. One of the big factors was the impact that the potential action would have on the funding of the pension plan, in both the immediate future as well as in coming years. Therefore, the County had approached Ms. Webb with the conceptual request. The County simply hoped they could find out what the cost impact and funding impact to the pension fund would be, should the Board decide to adopt the Resolution put before them previously, to exclude the non-cashable portion of flex credit.

Chair Sedell said that his concern would be that VCERA would fall further behind in their fiduciary responsibility to implement *Alameda*. The law said they needed to implement *Alameda* and they had already exhausted every legal and legislative means possible to avoid it. Therefore, he was fine with getting the County the information they needed, so long as it did not delay VCERA's ability to get the implementation done.

Trustee Goulet said he believed the issue needed to be approached from a different perspective. He believed the Board should simply authorize the County to contract with VCERA's actuary to get the analysis that they need for their purposes, and to also contract with MBS, provided that they received assurance from that data vendor that there would be no impact to VCERA's activities.

Ms. Webb said that staff was currently working on a Statement of Work with the data vendor, MBS regarding the scope of work that VCERA needed. This included several factors, one of which was the calculation of refunds for members, which could not be done before the collection of the contributions on non-cashable flex credit was stopped. However, staff wanted the Statement of Work done in anticipation of the Board approving the exclusion of the flex credit from contributions, so they could begin the process immediately to avoid falling further behind. Also, staff would still need to be involved and work with MBS and Segal, given that Segal would need VCERA's actual member data for the County's analysis.

Ms. Nemiroff added that Segal made it clear to staff that VCERA was their client and they would only do the work if VCERA contracted with them to have the study for the County done, with the payment done in a pass-through way so that the County could reimburse VCERA for the cost. In regard to MBS, the data was VCERA's, and staff wanted to maintain control of the data and the relationship with that vendor.

Trustee Grass remarked that he liked the collaborative approach by the County and VCERA, and either way the Board takes action, the County would have to make some changes going forward. So, he believed that the County's request was reasonable, and it was a request that the Board should approve.

Trustee Roberts asked if staff had an estimate of how long it would take Segal and VCERA's data vendor to get the analysis done for the County, and whether there a way to expedite

Ms. Webb said it likely would take Segal a couple of months once they received that data. As for MBS, staff had just sent them some data last week and they were in the process of analyzing it. Therefore, she would anticipate that the project would take roughly 3 to 4 months to get the data ready for Segal as a ballpark estimation.

Kevin Aguayo, President of the Ventura County Professional Firefighters' Association (VCPFA) provided public comment. The labor unions were also interested in what such an actuarial analysis would say as they would like to negotiate with a good report. He asked how would the analysis could be verified as correct if critical decisions were being delayed until April.

Ms. Webb said that the analysis would have to be based on projections, without Board action. Also, there would be a recommendation that the Resolution be made retroactive to July 1, 2020, when the Alameda Decision was rendered.

Chair Sedell noted that he was not hearing any objection from the Board in working with the County to try and accommodate their request. He then suggested that the Board approve the request, contingent that it did not cause a delay in VCERA's ability to get the data they need to move forward with the Alameda Implementation.

Ms. Webb explained that if the Board was to approve in concept, staff could continue the discussion with MBS regarding the cost and time for this separate work item and potentially pursue other data vendors, while also continuing to meet with the County about the study's assumptions and tying up details. Staff could always report back to the Board before Segal was engaged.

MOTION: Approval in Concept of Allowing a Special Engagement with VCERA's Actuary at the County of Ventura's Cost.

Moved by Grass, seconded by Roberts.

Vote: Motion carried

Yes: Ashby, Grass, Goulet, Horgan, Joe, Long, Roberts, Sedell

No: -

Absent: Hernandez-Garcia

Abstain: -

After the vote on the agenda item, the Board advanced to item, VIII.A., Informational Item, CALAPRS Advanced Principles of Pension Governance for Trustees Course.

VII. CLOSED SESSION

- A. PUBLIC EMPLOYEE PERFORMANCE EVALUATION
Title: Retirement Administrator
(Government Code section 54957(b)(1))

VIII. INFORMATIONAL

- A. CALAPRS Advanced Principles of Pension Governance for Trustees Course.

IX. PUBLIC COMMENT

None.

X. STAFF COMMENT

Ms. Webb said staff had recently met with VCDSA and VCPFA to discuss the impact to their members of the exclusion of non-cashable flex credit. They had found it helpful for staff to walk them through some of the calculations. Staff was working on a communication for VCERA's website to help members with calculating their pension benefit, and the information or chart that staff created could also be accessible to all of stakeholders.

XI. BOARD MEMBER COMMENT

Trustee Grass said he wanted to personally thank Ms. Webb, Ms. Nemiroff, and Ms. Villalobos for meeting with VCDSA. The meeting was extremely helpful, but he also wanted to thank them for making the effort to work collaboratively with the Auditor-Controller's Office, the County, and other Union groups.

Trustee Goulet requested that the Board return to item V.B. because in the course of their discussion, he forgot to mention that he was going to ask that staff agendize an item to appoint an Ad hoc Committee to select and contract with a vendor to perform a Market-Based Compensation Study in 2024, which should be brought back to the Board in late November 2023. Therefore, he wanted to make a motion to that effect.

Chair Sedell said that Board could simply direct staff to do that as a matter of course, and such an action had not been agendized.

Chair Sedell a 10-minute break at 11:10 a.m., before recessing the public meeting and entering into Closed Session at 11:20 a.m., out of which the Board intended to adjourn.

XII. ADJOURNMENT


The Chair said the Board would adjourn the meeting at the conclusion of the Closed Session meeting.

Respectfully submitted,



LINDA WEBB, Retirement Administrator

Approved,



MIKE SEDELL, Chair