

VENTURA COUNTY EMPLOYEES’ RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

SEPTEMBER 9, 2019

AGENDA

PLACE: Ventura County Hall of Justice
Pacific Conference Room
800. South Victoria Avenue
Ventura, CA 93009

TIME: 9:00 a.m.

Members of the public may comment on any item under the Board’s jurisdiction by filling out a speaker form and presenting it to the Clerk. Unless otherwise directed by the Chair, comments related to items on the agenda will be heard when the Board considers that item. Comments related to items not on the agenda will generally be heard at the time designated for Public Comment.

ITEM:

- | | |
|--|-----------------------------|
| I. <u>CALL TO ORDER</u> | Master
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| II. <u>APPROVAL OF AGENDA</u> | |
| III. <u>APPROVAL OF MINUTES</u> | |
| A. Business Meeting of July 15, 2019. | 4 – 12 |
| IV. <u>RECEIVE AND FILE PENDING DISABILITY APPLICATION STATUS REPORT</u> | 13 – 43 |
| V. <u>APPLICATIONS FOR DISABILITY RETIREMENT</u> | |
| A. Application for Service-Connected Disability Retirement – Bittmann, Janeen R.;
Case No. 17-014. | 44 – 48 |
| 1. Risk Management’s Request for an Extension-Amended to submit Medical
Analysis through December 2019. | |
| 2. Hearing Notice, dated August 27, 2019. | |
| B. Application for Service-connected Disability Retirement - Aldrete, Ernesto;
Case No. 18-017. | 49 – 334 |
| 1. Application for Service-connected Disability Retirement, filed May 31, 2018. | |

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

- 2. Medical Analysis and Recommendation, including Supporting Medical Documentation, submitted by County of Ventura, Risk Management, in support of the Application for Service-connected Disability Retirement, dated August 6, 2019.
- 3. VCERA Staff Letter with Supplemental Questions for Risk Management- Including Risk Management’s Responses and Staff Comments
- 4. Hearing Notice, dated August 27, 2019.
- C. Application for Service-connected Disability Retirement - Gonzalez, Carmen M.; Case No. 15-028.
 - 1. Administrative Record.

VI. OLD BUSINESS

None.

VII. NEW BUSINESS

- A. Retiree Request for Appeal of Staff Determination Regarding Recoupment of Overpayment.
 - 1. Staff Letter. 335 – 337
 - 2. History of Correspondence between VCERA and Retiree and Retiree’s Counsel. 338 – 357
- B. Recommended Changes to VCERA Service Provider Selection Policy.
RECOMMENDED ACTION: APPROVE PROPOSED CHANGES TO VCERA’S SERVICE PROVIDER SELECTION POLICY
 - 1. Staff Letter. 358
 - 2. Service Provider Selection (Redline). 359 – 363
- C. Periodic Review of Board Policies and Charters.
 - 1. Staff Letter. 364
 - 2. Charter: Board of Retirement. 365 – 370
 - 3. Charter: Chair. 371 – 372
 - 4. Charter: Vice-Chair. 373
 - 5. Charter: Retirement Administrator. 374 – 379

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PAGE 3****VII. NEW BUSINESS (continued)**

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| 6. Board Policy Development Process. | 380 – 382 |
| 7. Monitoring and Reporting. | 383 – 386 |
| 8. Trustee Communication. | 387 – 391 |
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| D. Recommendation for Authorization to Attend the 2019 Abbott LP Advisory Board, Abbott Annual Meeting, and ILPA Summit, November 4 – 7, 2019 in New York, NY.
RECOMMENDED ACTION: Approve. | |
| 1. Staff Letter by C.I.O., Dan Gallagher. | 392 |
| 2. 2019 Abbott LP Advisory Board Meeting Notice. | 393 |
| 3. Abbott Annual Meeting Invitation. | 394 – 395 |
| 4. 2019 ILPA Summit Brochure. | 396 – 401 |
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| E. Recommendation to Approve Communications Officer, Josiah Vencel to Attend the 2019 National Pension Education Association Conference (NPEA), Naples, FL, October 19 - 23, 2019.
RECOMMENDED ACTION: Approve. | |
| 1. Staff Letter. | 402 |
| 2. NPEA 2019 Conference Agenda. | 403 |
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| F. Report on Due Diligence Visit to Parametric, Submitted by Trustee Towner and C.I.O., Dan Gallagher.
RECOMMENDED ACTION: Receive and file. | 404 – 406 |
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| G. Report on Due Diligence Visit to Adam Street Partners, Submitted by C.I.O., Dan Gallagher.
RECOMMENDED ACTION: Receive and file. | 407 – 409 |

VIII. INFORMATIONAL

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| A. 2019 Pension Bridge Alternatives Conference. | 410 – 421 |
| B. Article – “What does a Yield Curve Inversion Mean for Investors” | 422 – 427 |

IX. PUBLIC COMMENT**X. STAFF COMMENT****XI. BOARD MEMBER COMMENT****XII. ADJOURNMENT**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

JULY 15, 2019

MINUTES

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

TRUSTEES
ABSENT: Steven Hintz, Treasurer-Tax Collector
Craig Winter, General 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
Donna Edwards, Retirement Benefits Specialist
Nancy Jensen, Retirement Benefits Specialist
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.

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ITEM:

I. CALL TO ORDER

Chair Wilson called the Business Meeting of July 15, 2019 to order at 9:00 a.m.

II. APPROVAL OF AGENDA

Chair Wilson said the Board would amend the agenda to hear item VII.A., "Application for Service-connected Disability Retirement - Dilley, Brian D.; Case No. 16-012," following the approval of the agenda.

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

MOTION: Approve as Amended.

Moved by Bianchi, seconded by Sedell.

Vote: Motion carried

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

No: -

Absent: Hintz, Winter

Abstain: -

After voting on the item, the Board advanced to agenda item VII.A., "Application for Service-connected Disability Retirement - Dilley, Brian D.; Case No. 16-012."

III. APPROVAL OF MINUTES

A. Disability Minutes of July 1, 2019.

MOTION: Approve.

Moved by Bianchi, seconded by Ashby.

Vote: Motion carried

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

No: -

Absent: Hintz, Winter

Abstain: Towner

IV. CONSENT AGENDA

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

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

C. Receive and File Budget Summary for FY 2018-19 Month Ending June 30, 2019.
(Preliminary)

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MOTION: Receive and File.

Moved by Sedell, seconded by Ashby.

Vote: Motion carried

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

No: -

Absent: Hintz, Winter

Abstain: -

V. INVESTMENT MANAGER PRESENTATIONS

- A. Receive Annual Investment Presentation from Hexavest, Marc C. Lavoie, CPA, CA, CFA, and Robert Brunelle.

Marc C. Lavoie and Robert Brunelle were present on behalf of Hexavest to provide an organizational and investment performance update.

- B. Receive Annual Investment Presentation from Walter Scott, Margaret Foley.

Margaret Foley was present on behalf of Walter Scott to provide an organizational and investment performance update.

The Board took a break at 9:58 a.m.

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

VI. INVESTMENT INFORMATION

NEPC – Allan Martin.

VCERA – Dan Gallagher, Chief Investment Officer.

- A. Recommendation for \$50M Investment in HarbourVest Real Assets Fund IV.
RECOMMENDED ACTION: Approve.

1. Staff Letter by C.I.O., Dan Gallagher.
2. Memorandum from NEPC.
3. HarbourVest Presentation, Mike Dean and Mark Radville.

Mr. Allen stated that NEPC had sought out a real assets manager to help guard against increases in inflation.

Trustee Bennett asked about HarbourVest's investment in renewable resources. Mr. Dean replied that the fund is weighted toward oil but that its allocation to renewables is expected to increase with time.

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

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MOTION: Approve Recommendation of \$50 Million Investment to HarbourVest Partners' Real Assets 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 Sedell, seconded by Bianchi.

Vote: Motion carried

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

No: -

Absent: Hintz, Winter

Abstain: -

B. Preliminary Performance Report for Month Ending June 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 Bianchi, seconded by Goulet.

Vote: Motion carried

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

No: -

Absent: Hintz, Winter

Abstain: -

After voting on this item, the Board advanced to agenda item VII.B., "Recommendation to Approve New Contract with Brentwood I.T."

VII. OLD BUSINESS

A. Application for Service-connected Disability Retirement - Dilley, Brian D.; Case No. 16-012.

1. Application for Service-connected Disability Retirement, filed March 16, 2016.
2. Revised Medical Analysis and Recommendation, including Supporting Medical Documentation, submitted by County of Ventura, Risk Management, in support of the Application for Service-connected Disability Retirement, dated July 11, 2019.
3. Hearing Notice, dated July 9, 2019.

Ms. Webb reminded the Board that the disability case had been continued from the disability meeting on July 1, 2019 to allow Ventura County Risk Management to submit an amended report.

Steve Roberson, Attorney at Law, and Catherine Laveau were present on behalf of the County of Ventura, Risk Management. Thomas J. Wicke, Attorney at Law, was present on behalf of the applicant, Brian D. Dilley, who was also present.

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Both parties declined to make statements.

Trustee Goulet asked the Applicant and his attorney why an MRI in 2014 was not discussed by the treating physicians or mentioned in Risk Management's report.

Mr. Wicke said that after the test was completed, the Applicant was referred to an orthopedist, Dr. Armstrong.

Trustee Goulet noted that Dr. Armstrong had not commented on the MRI in the report when making his conclusion, nor did the other physician. He then asked why Mr. Roberson had not asked the physicians about the "unusual and complex spinal condition," as noted in the report, particularly as one said the Applicant had no non-industrial conditions.

Mr. Roberson said he was not in a position to make requests of those physicians for supplemental reports or documentation. Instead, the film was forwarded to Dr. Steven Rothman, a neuroradiologist, for review and comment.

Trustee Goulet remarked again about the physician's statement that there were no non-industrial conditions to consider for the applicant.

Mr. Roberson thought it was significant that the physicians did not consider the MRI reports and findings, as he believed it made their reports non-substantial medical evidence in the context of a retirement case, which requires evidence of a real and measurable connection between employment and the disability. Consequently, he subpoenaed the MRI records and retained Dr. Rothman to review them for Risk Management.

Trustee Goulet noted that Dr. Rothman made no finding about the Applicant's condition or his position as a firefighter.

Mr. Roberson responded that, as a neuroradiologist, Dr. Rothman does not physically examine a patient in retirement cases, but rather analyzes medical scans to determine the nature and cause of an injury. Additionally, Dr. Rothman typically provides additional explanation to Mr. Roberson verbally. In this case, Dr. Rothman said the Applicant unquestionably had a tethered spinal cord and spina bifida, that the MRI findings from 2014 to 2015 showed that the Applicant had suffered from a serious extruded disc, and that the medical findings were consistent with the Applicant's testimony regarding the incident that resulted in the injury that prevented the Applicant from continuing work as a firefighter.

Trustee Goulet said he was referring to Risk Management's incomplete report that had been given to the Board, not what Mr. Roberson knew after meeting with Dr. Rothman, though he believed that information should have been included in the report for the Board to consider.

Mr. Roberson said the Applicant's injury occurred on or around July 12, 2015 and that Dr. Rothman does not review a patient's job analysis. Based on the extruded disc and surgery, Mr. Roberson believed any medical specialist would have concluded that the applicant was permanently incapacitated from work as a Battalion Chief, thus making an independent evaluation unnecessary.

Trustee Goulet opined that the reports did not supply substantial evidence from the treating physicians regarding permanent incapacitation.

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Mr. Roberson noted that the two medical reports from Drs. Armstrong and Pelton gave the Applicant clear work restrictions (e.g., not lifting more than 25 pounds), thereby showing that the Applicant was permanently incapacitated from performing his job duties. Further, while those reports did not discuss the real and measurable connection for retirement purposes, Mr. Roberson believed Dr. Rothman's report demonstrated this connection by relating the tethered spinal cord and spina bifida to the Applicant's herniated disk and work restrictions.

Chair Wilson acknowledged trustee Goulet's concern that the Board had not received a complete report from Risk Management, but he believed that the information presented to the Board by Mr. Roberson was sufficient to make a decision.

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

MOTION: Approve the Application for Service-Connected Disability Retirement.

Moved by Sedell, seconded by Bianchi.

Vote: Motion carried

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

No: Goulet

Absent: Hintz, Winter

Abstain: -

Trustee Goulet said he voted against the motion because he believed the Board needed to rely on complete written reports rather than oral statements.

After voting on this item, the Board returned to item III.A., "Disability Minutes of July 1, 2019."

B. Recommendation to Approve New Contract with Brentwood I.T.

RECOMMENDED ACTION: Approve.

1. Staff Letter.
2. Memorandum from Chief Technology Officer.
3. Proposed Contract.

Ms. Webb said that General Counsel had reviewed the contract, which would increase the Contract I.T. expense in the operational budget that the Board had previously approved, with funding coming from contingency. She added that Mr. Ford's technology expertise would be invaluable during the upcoming office renovation.

Mr. Goulet asked if Brentwood I.T. was a valid independent contractor. Staff replied that Mr. Ford meets the independent contractor criteria and serves other clients.

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

MOTION: Authorize the Retirement Administrator to Execute the Proposed Contract with Brentwood I.T. in FY 2019-2020 for an Amount Not to Exceed \$160,000.

Moved by Ashby, seconded by Bianchi.

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Vote: Motion carried

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

No: -

Absent: Hintz, Winter

Abstain: -

C. Update on Mr. Towner's Civil Service Commission Proceedings.

Ms. Webb reported that Mr. Towner had been reinstated to the Board of Retirement, as described in a memorandum that was distributed to trustees prior to the Board meeting.

VIII. NEW BUSINESS

A. Recommendation to Approve Payment for Waiver of Recourse, Fiduciary Liability Insurance, FY 2019/20.

RECOMMENDED ACTION: Approve.

1. Staff Letter by C.F.O., Henry Solis.

2. Binder of Insurance.

Ms. Webb said this annual agenda item consisted of the Fiduciary Liability Policy and the Waiver of Recourse, which costs \$100 in total and must be paid by the sitting members of the Board, not by VCERA.

Trustee Goulet left the meeting at 11:00 a.m., before the vote on this item.

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

MOTION: Receive and File.

Moved by Bennett, seconded by Sedell.

Vote: Motion carried

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

No: -

Absent: Goulet, Hintz, Winter

Abstain: -

B. Recommendation to Approve Retirement Administrator, Linda Webb, to Attend the CALAPRS Administrators' Institute in Carmel, CA, September 25 – 27, 2019.

RECOMMENDED ACTION: Approve.

1. Staff Letter.

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

MOTION: Approve.

Moved by Ashby, seconded by Bianchi.

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

- C. Recommendation to Authorize C.F.O., Henry Solis, to Attend the 2019 Public Pension Financial Forum (P2F2) Conference, Salt Lake City, UT, October 20 – 23, 2019.
RECOMMENDED ACTION: Approve.

1. Staff Letter.
2. P2F2 2019 Conference Schedule at a Glance – Draft.

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

MOTION: Approve.

Moved by Sedell, seconded by Ashby.

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

- D. Request for Authorization for Attendance for Due Diligence Visits to Adams Street and Parametric.
RECOMMENDED ACTION: Approve.

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

Mr. Gallagher asked trustees interested in attending the on-site meetings to contact him.

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

MOTION: Approve Request for C.I.O. and Up to Two Trustees to Conduct On-Site Due Diligence Visits to Adams Street in Chicago and Parametric in Minnesota.

Moved by Bennett, seconded by Sedell.

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

- E. Quarterly Retirement Administrator's Report for April – June 2019.
RECOMMENDED ACTION: Receive and File.
- F. Quarterly Chief Investment Officer's Report for April – June 2019.
RECOMMENDED ACTION: Receive and File.

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

MOTION: Receive and File the Retirement Administrator's and C.I.O.'s Quarterly Reports for April – June 2019.

Moved by Bianchi, seconded by Ashby.

Vote: Motion carried

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

No: -

Absent: Goulet, Hintz, Winter

Abstain: -

IX. INFORMATIONAL

X. PUBLIC COMMENT

None.

XI. STAFF COMMENT

Mr. Gallagher said he booked Paul Podolsky from Bridgewater Associates as a presenter at the Board retreat in September. Mr. Podolsky's presentation will focus on China's politics, economics and trade.

Ms. Webb said that VCERA's fiduciary counsel would present at the retreat on the Board's legal and fiduciary responsibilities regarding the disability retirement process. She believed the presentation would be helpful and timely, given that staff and the Board had been working to improve the disability process. Also, Ms. Webb noted that a General member special election was underway to fill the vacant Board seat.

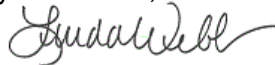
XII. BOARD MEMBER COMMENT

None.

XIII. ADJOURNMENT

The Chair adjourned the meeting at 10:10 a.m.

Respectfully submitted,



LINDA WEBB, Retirement Administrator

Approved,

WILLIAM W. WILSON, Chairman



September 9, 2019

Board of Retirement
Ventura County Employees' Retirement Association
1190 S. Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: Retiree Request for Appeal of Staff Determination Regarding Recoupment of Overpayment

Dear Board Members:

Background

On December 10, 2018, the Board of Retirement adopted a Resolution terminating the \$27.50 non-vested supplemental benefit, effective June 30, 2019. To comply with the intent of Government Code section 31692 and the original 2003 Resolution's requirement concerning a 90-day written notice to "each eligible retiree or eligible beneficiary receiving such payment", VCERA mailed a notification letter to all affected members, providing a brief history of the benefit and the reason for its cessation.

A script was written for VCERA's pension administration system to remove the supplemental benefit from the payments of existing members. In testing the script, one of VCERA'S system administrators discovered with a test case that the supplemental benefits amounts for divorced retirees with split accounts (for both the vested \$108.44 and non-vested \$27.50), when combined with those of their former spouses, did not equal \$108.44 or \$27.50. Staff performed a system query to determine the impacted population of this issue; the population impacted was 17 members: 2 underpayments, 15 overpayments. The payment streams were corrected for impacted members, and then retroactive calculations were made.

VCERA sent a letter to each of the impacted retirees to explain the error, to inform them that their benefit amounts would be corrected going forward, and to coordinate repayment of the overpaid amounts. The amounts ranged from small to large, and the repayment arrangements ranged from a small one-time payment to monthly repayment plans up to 5 years without interest. Consistent with both past precedent and IRS guidelines, staff considered total amount owed, the period over which the overpayment occurred, and the percentage of the repayment amount in relation to the retiree's total benefit (to minimize any hardship issues.)

When the letters were sent to the 15 members who were overpaid, staff received a call from impacted retiree David Williams, who had questions and concerns. His concerns were escalated to myself as the Retirement Administrator, and a string of communication began. In coordination with Board Counsel, an accommodation was offered to Mr. Williams, whose total overpayment of \$10,207.84 was the highest among the group of 15. The following describes how the terms of the offered accommodation were determined.

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Overpayment Recoupment Request
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Staff consulted Board Counsel with regard to the guidance and instructions for corrections (including errors on the part of the retirement Plan), under the Internal Revenue Service (IRS) Employee Plans Compliance Resolution System (EPCRS), which identifies three programs for correcting plan errors, including the self-correction Program utilized to recoup the overpayments in the 15 identified cases, including the case of Mr. Williams. For operational errors of this type, the IRS directs plans to follow the general correction principles described in the IRS correction program revenue procedure, Section 6. Use of the correction methods described in the examples in Appendix B of the revenue procedure will be deemed by the IRS to be reasonable and appropriate.

Taking the EPCRS guidance and examples into consideration, VCERA proposed the following options for repayment:

UNDER Appendix B (1)(a)(i)

- 1) Five (5) years, no interest;
- 2) Ten (10) years, with interest (Given the span of the accumulation of the error, I authorized a 10-year repayment period as "reasonable" though our research indicates no member has been extended any period in excess of 5 years.)

UNDER Appendix B (1)(a)(ii)

- 3) The "Adjustment of Future Payments Correction Method" which, to paraphrase, reduces the future benefit permanently by calculating the actuarial present value of the overpayment, recouped over the recipient's life expectancy.

(NOTE: VCERA noted that Option 3 was not encouraged because: 1) the IRS favors consistency in the use of methods to correct errors, and all other overpayment errors are corrected through offset or repayment; and 2) VCERA cannot provide a new benefit schedule unless we engage our actuary to calculate the new benefit and the cost for the analysis would need to be approved by the Board of Retirement.)

Mr. Williams' Request

In Mr. Williams letter, he requests that VCERA:

"Submit a claim to the liability insurance company for Ventura County to determine if Ventura County's failure to employ adequate safeguards for periodic reviews and/or negligent calculation by VCERA are cognizable claims under the County's policy."

After consultation with Board Counsel and review of VCERA's liability policy, staff noted the following among the items that Damages do **not** include:

*"Benefits, or that portion of any settlement or award in an amount equal to such Benefits, unless and to the extent that recovery of such Benefits is based upon a covered Wrongful Act and is payable as a personal obligation of an Insured Person; provided, however, that Damages shall include a monetary award in, or fund for settling, a Claim against any Insured to the extent it alleges a loss to a Plan or loss in the actual accounts of participants in a Plan by reason of an alleged breach of fiduciary duty resulting in a change in value of the investments held by that Plan; and provided further, however, that Damages shall include any negligent act, error or omission committed by the Insured solely in the miscalculation of any Benefit which results in an overpayment that would otherwise not be covered by the Plan **and cannot be recovered by the Plan after reasonable effort.**" (Emphasis added)*

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 Overpayment Recoupment Request
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We believe that the offset/recoupment options we have offered to Mr. Williams qualifies as a reasonable effort to collect and should be collected in this manner to comply with IRS rules.

Mr. Williams also requests:

In the event that the liability insurance company will not cover the losses associated with Ventura County's lack of internal control and negligence, I request that all affected retirees only be required to repay the last three years of overpayments and each of us be given a five year, interest free, period to make those payments.

As communicated to both Mr. Williams and his counsel, VCERA's administrative process for seeking recoupment under authority of, and responsibility imposed by, the Internal Revenue procedures for recoupment of overpayment is not controlled by the statute of limitations applicable to a lawsuit filed in State court. In order to comply with IRS requirements and fulfill the Board's fiduciary duty to the plan, VCERA must seek repayment for the entire amount that was overpaid to Mr. Williams.

Consideration of Hardship

Staff noted that EPCRS program does allow for additional discretion when a collection method constitutes an undue hardship to the member. In review of Mr. Williams situation, it was noted that neither the 5-year option without interest nor the 10-year with interest repayment option results in more than a 3% impact on Mr. Williams total benefit during the repayment period.

Total Benefit:	5-yr (no interest)	% of total benefit	10-yr (w/interest)	% of total benefit
\$5,829.79	\$170.13/month	2.95%	\$119.84/month	2.08%

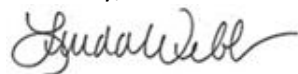
Note: VCERA began Mr. Williams' repayment agreement (5 years without interest) in June 2019, pending the outcome of any administrative review. He has repaid \$510.39 thus far, leaving a current balance of \$9,697.35.

Consultation with Tax Counsel

As a final measure to confirm the appropriateness of VCERA's approach to recoupment/collection efforts as applied to Mr. Williams and the other impacted retirees, staff consulted VCERA's tax counsel, Hanson Bridgett. Ms. Judith Boyette reviewed the information and correspondence in the matter, and has provided a memorandum to the Board of Retirement supporting the staff's approach in the recoupment of the overpayment to Mr. Williams.

Staff recommends that the Board uphold staff's determination of the recoupment/collection procedures utilized in this matter and deny the relief requested by Mr. Williams. Staff will be pleased to answer any questions at the September 9, 2019 meeting.

Sincerely,



Linda Webb
 Retirement Administrator

Attachments

From: Webb, Linda [<mailto:Linda.Webb@ventura.org>]
Sent: Tuesday, May 14, 2019 7:09 PM
To: Williams, David X. <David.X.Williams@disney.com>
Subject: Administrative Review re Notice of Collection of Overpayment

Mr. Williams,

During our phone conversation this morning, we discussed your concerns about the letter you received from VCERA that informed you of an error in the payment of specific supplemental benefits, with a resulting overpayment amount of \$10,207.74. As your letter explains and as I mentioned on the phone, the overpayment was the result of VCERA's error.

As we discussed, enclosed is the document that provides guidance and instructions for corrections in various scenarios (including errors on the part of the retirement Plan), under the Employee Plans Compliance Resolution System (EPCRS), which is also available on the IRS site at <https://www.irs.gov/pub/irs-drop/rp-19-19.pdf>. EPCRS offers three programs for correcting plan errors, including the self-correction Program utilized here. (See <https://www.irs.gov/retirement-plans/correcting-plan-errors>.) For operational errors of this type, the IRS directs us to follow the general correction principles described in the IRS correction program revenue procedure, Section 6. Use of the correction methods described in the examples in Appendix B of the revenue procedure will be deemed by the IRS to be reasonable and appropriate. (See: <https://www.irs.gov/retirement-plans/steps-to-self-correct-retirement-plan-errors>.) Section 6 begins on page 27 of the EPCRS document, and Appendix B, begins on page 110. I enclosed pages 27-28 & 110 in a separate attachment with a few key phrases highlighted.

Note that for Appendix B, it describes 2 collection methods; these same 2 methods are used/applied in the enclosed Revenue Ruling. Earlier in the EPCRS document, it says that these examples may be used by defined benefit (DB) plans to collect overpayments.

For perspective, I'll recap the options VCERA has proposed for repayment:

UNDER Appendix B (1)(a)(i)

- 1) Five (5) years, no interest;
- 2) Ten (10) years, with interest (Given the span of the accumulation of the error, I authorized a 10-year repayment period as "reasonable" though our research indicates no member has been extended any period in excess of 5 years.)

UNDER Appendix B (1)(a)(ii)

- 3) The "Adjustment of Future Payments Correction Method" which, to paraphrase, reduces the future benefit permanently by calculating the actuarial present value of the overpayment, recouped over the recipient's life expectancy.

(NOTE: We do not encourage this option because: 1) the IRS favors consistency in the use of methods to correct errors, and all other overpayment errors are corrected through offset or repayment; and 2) we cannot provide a new benefit schedule unless we engage our actuary to calculate the new benefit and the cost for the analysis would need to be approved by the Board of Retirement.)

If after review of these additional materials you wish to contest VCERA's proposals for collection of the overpayment, you may file an administrative appeal with the Board of Retirement and we will schedule your matter for hearing.

Regards,

Linda Webb
Retirement Administrator



Ventura County Employees' Retirement Association

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

Direct: 805.339.4262 | Administration Fax: 805.339.2502
Main Line: 805.339.4250 | Department Fax: 805.339.4269

[Email](#) | [Website](#)

From: Williams, David X. <David.X.Williams@disney.com>
Sent: Monday, June 3, 2019 4:16 AM
To: Webb, Linda <Linda.Webb@ventura.org>
Subject: [External] RE: Administrative Review re Notice of Collection of Overpayment

Linda,
Please advise the exact date in which the overpayment was discovered and how it was discovered.

Regards,
David

From: Webb, Linda [<mailto:Linda.Webb@ventura.org>]
Sent: Monday, June 03, 2019 2:22 PM
To: Williams, David X. <David.X.Williams@disney.com>
Subject: RE: Administrative Review re Notice of Collection of Overpayment

Good morning Mr. Williams,

On March 26, 2019, one of our system administrators for our pension administration system was performing cost of living adjustment (COLA) testing and was using her own divorced parents as test cases. She discovered that the supplemental benefits amounts when combined with those of their former spouses did not equal \$108.44 or \$27.50. She performed a system query to determine the impacted population of this issue and sent this query to management staff. The Community Property division staff members then researched the accounts identified on the query. The population impacted was 17 members: 2 underpayments, 15 overpayments. The payment streams were corrected for impacted members, and then retroactive calculations were done.

The impacted members all retired prior to the implementation of the new pension administration system, and as we discussed on the phone, the system calculates these "splits" automatically now.

Linda Webb
Retirement Administrator



Ventura County Employees' Retirement Association

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

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Main Line: 805.339.4250 | Department Fax: 805.339.4269

[Email](#) | [Website](#)

LAW OFFICE OF LELA HENKE DOBROTH



SBN 98393

June 7, 2019

Ms. Linda Webb
Retirement Administrator
Ventura County Retirement Association
1190 S. Victoria Avenue, Suite 200
Ventura, CA. 93003

Re: David X. Williams
Notice of Collection Overpayment

Dear Ms. Webb:

I represent David Williams regarding the above matter. To assist Mr. Williams in anticipation of an administrative appeal, please provide us with the following information:

1. Date of first discovery of the overpayment.
2. What was the triggering action that led to discovery of the overpayment?
3. Why the over payment was not detected prior to the first date of discovery.

Thank you very much for your cooperation.

Yours truly,

Lela Henke-Dobroth

Lela Henke-Dobroth

pc: David Williams

241 Camino Cortina, Camarillo, CA 93010
Tel: 805-218-5654 - Fax 805-832-6856 - LelaHenke@verizon.net



June 13, 2019

Lela Henke-Dobroth
241 Camino Cortina
Camarillo, CA 93010

Re: David X. Williams, Notice of Collection Overpayment

Dear Ms. Henke-Dobroth:

Allow me to respond to your letter dated June 7th that requested answers to the following questions regarding the overpayment.

1. Date of first discovery of the overpayment.

March 26, 2019.

2. What was the triggering action that led to discovery of the overpayment?

On December 10, 2018, the Board of Retirement adopted a resolution terminating the non-vested \$27.50 supplemental retiree benefit (in effect since 2003) after June 2019, due to the depletion of "excess earnings" funds available to pay it. A script was written for VCERA's pension administration system to remove the supplemental benefit from the payments of existing members. In testing the script, one of VCERA'S system administrators was using her own divorced parents as test cases. She discovered that the supplemental benefits amounts (for both the vested \$108.44 and non-vested \$27.50), when combined with those of their former spouses, did not equal \$108.44 or \$27.50. She performed a system query to determine the impacted population of this issue and sent this query to management staff. The Community Property division staff members then researched the accounts identified on the query. The population impacted was 17 members: 2 underpayments, 15 overpayments. The payment streams were corrected for impacted members, and then retroactive calculations were made.

3. Why the over payment was not detected prior to the first date of discovery.

The testing that triggered the discovery was a direct result of the one-time event of termination of the supplemental benefit, so had therefore not been conducted before. Further, when review of retiree accounts are done during the course of business, they are done on an individual basis; this specific testing necessitated the review of both the member and former spouse *at the same time*, which is what showed that the amounts, when taken together, did not equal the total expected. We do not believe there were any facts that reasonably would make VCERA suspicious that benefits were calculated incorrectly prior to the date of the above-referenced testing. Further, none of the benefit recipients brought to VCERA's attention that there may be an error

June 11, 2019
Williams, Overpayment
Page 2 of 2

in the amount of supplemental benefits being paid in light of the required division of community property as set forth in the Domestic Relations Order issued in each case and as further governed by the Board's policy on account divisions.

As communicated to Mr. Williams on the phone, the error impacted a limited population of 17 members, whose benefits were calculated under the previous pension administration system which allowed more room for human error. The newer upgraded system automatically detects split accounts and makes the appropriate calculations.

We hope this information is helpful. If Mr. Williams would like to appeal to the Board of Retirement regarding his overpayment collection, please let us know so that we can place it on a Board agenda for consideration.

Sincerely,

A handwritten signature in cursive script, appearing to read "Linda Webb".

Linda Webb
Retirement Administrator

CC: David X. Williams

LAW OFFICE OF LELA HENKE DOBROTH



SBN 98393

June 13, 2019

Ms. Linda Webb
Retirement Administrator
Ventura County Retirement Association
1190 S. Victoria Avenue, Suite 200
Ventura, CA. 93003

Re: David X. Williams
Notice of Collection Overpayment

Dear Ms. Webb:

Thank you for your detailed responses dated June 13, 2019 to our inquiries regarding the overpayments to Mr. Williams.

This letter is in response to your letter to Mr. Williams dated May 14, 2019 requesting that he repay VCERA \$10,207.74, with interest, for supplemental benefit overpayment. You have acknowledged that the overpayment was due solely to an error by VCERA and due to no fault of Mr. Williams. The dates of overpayment were from November 13, 2005 to March 31, 2019 (letter to Mr. Williams from VCERA Benefits Manager Shalini Nunna, dated April 24, 2019).

Please accept this letter as our request that the VCERA reconsider requiring Mr. Williams to make full repayment plus interest for overpayments dating back 14 years. We are hopeful that we can reach an equitable resolution, based upon the following legal authority, without the necessity of a Board hearing.

241 Camino Cortina, Camarillo, CA 93010
Tel: 805-218-5654 - Fax 805-832-6856 - LelaHenke@verizon.net

June 13, 2019

Ms. Linda Webb
Retirement Administrator
Ventura County Retirement Association
pg. 2

Our position:

1. IRS Code: In support of your request that Mr. Williams repay the overpayment, you cite IRS code section 6 of EPCRS and Appendix B (1)(a)(i) of EPCRS. The IRS code relied upon by VCERA does not mandate that the retiree repay the Plan. The Code provides guidelines for the Plan to correct overpayment due to their errors or omissions. The Plan must operate in accordance with IRS regulations in order to maintain their tax-qualified status. This puts the burden on the Plan to correct overpayment errors.

SECTION 6. CORRECTION PRINCIPLES AND RULES OF GENERAL APPLICABILITY

6.01 Correction principles; "Rules of general applicability. The general correction principles in section 6.02 and rules of general applicability in sections 6.03 through 6.13 apply for purposes of this revenue procedure".

6.06 (3): "Correction of Overpayment (*defined benefit plans*). An Overpayment from a defined benefit plan is corrected in accordance with rules similar to the Return of Overpayment and Adjustment of Future Payments correction methods described in **section 2.04 (1) of Appendix B** or any other appropriate correction method. Depending on the nature of the Overpayment, **an appropriate correction method may include using rules similar to the correction method described in section 2.04 (1) of Appendix B but having the employer or another person contribute the amount of the Overpayment (with appropriate interest) to the plan instead of seeking recoupment from a plan participant or beneficiary.** Another example of an appropriate correction method includes a Plan Sponsor adopting a retroactive amendment to conform the plan document to the plan's operations (subject to the requirements of section 4.05). Any other correction method used must satisfy the correction principles of section 6.02 and any other applicable rules in this revenue procedure." [emphasis added].

June 13, 2019

Ms. Linda Webb
Retirement Administrator
Ventura County Retirement Association.
pg. 3

Appendix B - 2.04 § 415 Failures. “(1) Failures Relating to a § 415(b) Excess. (a) Correction Methods. (i) Return of Overpayment Correction Method. Overpayments as a result of amounts being paid in excess of the limits of § 415(b) may be corrected using the return of Overpayment correction method set forth in this paragraph (1)(a)(i). The Plan Sponsor takes reasonable steps to have the Overpayment (with appropriate interest) returned by the recipient to the plan and reduces future benefit payments (if any) due to the employee to reflect § 415(b)” .

“To the extent the amount returned by the recipient is less than the Overpayment, adjusted for Earnings at the plan's earnings rate, then the Plan Sponsor or another person contributes the difference to the plan. In addition, in accordance with section 6.06 of this revenue procedure, the Plan Sponsor must notify the recipient that the Overpayment was not eligible for favorable tax treatment accorded to distributions from qualified plans (and, specifically, was not eligible for tax-free rollover). **(See Examples 20 and 21.)**” [emphasis added].

2. Statute of Limitations: Overpayments paid 3 years beyond the last payment to Mr. Williams are barred by the statute of limitations. Government code sections 20160-20164 set forth procedures for administrative correction of errors and omissions of the Public Employees Retirement System.

CA Government Code 20164 (b)(1): “(b) For the purposes of payments into or out of the retirement fund for adjustment of errors or omissions, whether pursuant to Section 20160, 20163, or 20532, or otherwise, the period of limitation of actions shall be three years, and shall be applied as follows: (1) In cases where this system makes an erroneous payment to a member or beneficiary, this system’s right to collect shall expire three years from the date of payment.”

June 13, 2019

Ms. Linda Webb
Retirement Administrator
Ventura County Retirement Association
pg. 4

No definition to clarify the meaning of “from the date of payment” is contained within the statutes (i.e. first overpayment or last overpayment). Mr. Williams is willing to accept the settled legal theory of “continuous accrual” and have the 3 years begin to run from the date of the last overpayment. (Although there is history that CalPERS has, within its discretion, not required a retiree to reimburse for an overpayment of \$13,706.06. See Precedential Board Decision No.98-02, effective November 18, 1998, *In the Matter of the Appeal of Decreased Level of Retirement Allowance of HARVEY H. HENDERSON*. While that was not the dispositive issue before the Board, it was apparent and unchallenged within the hearing briefing process, that the CalPERS had not required reimbursement of the overpayment from Mr. Henderson. See page 12 of decision, Henderson’s opening brief, Exhibit B.

The clear and unambiguous language of Government Code section 20164 (b)(1) provides that CalPERS's right to collect overpayment "...shall expire three years from the date of payment.". Therefore, VCERA no longer has a right to collect any overpayments that were made to Mr. Williams more than three years prior to March 31, 2019.

3. Interest on repayment: Mr. Williams should not be required to pay interest on the overpayments erroneously provided to him. He should be returned to his financial status on November 13, 2005 as if the overpayment error created by VCERA had not occurred. Mr. Williams should not be penalized because of the Plan error.

CA Government Code 20160 states, in pertinent part, : “(e) Corrections of errors or omissions pursuant to this section shall be such that the **status, rights, and obligations of all parties** described in subdivisions (a) and (b) **are adjusted to be the same that they would have been if the act that would have been taken, but for the error or omission, was taken at the proper time**”.

June 13, 2019

Ms. Linda Webb
Retirement Administrator
Ventura County Retirement Association
Pg. 5

Mr. Williams paid taxes on the overpayment as a result of VCERA miscalculations. In equity, he should not be required to pay interest.

Mr. Williams requests the following:

1. Repayment by Mr. Williams will be limited to 3 years from the date of the last overpayment in March 2019. VCERA will recalculate that overpayment and advise Mr. Williams of the new amount he owes. The balance of overpayment beyond the 3-year statute of limitations can be paid by the employer/Plan sponsor as described in 6.06(3) and Appendix B 2.04.
2. Mr. Williams will not be required to pay interest on the newly calculated amount.
3. Mr. Williams will be allowed to repay the newly calculated amount, without interest, over a 5-year period.

Thank you for your consideration. Please do not hesitate to contact me if you wish to discuss this further or have any questions. We are hopeful that this matter can be settled equitably for the VCERA and for Mr. Williams, who has devoted his many years of public service in law enforcement to the safety and protection of Ventura County.

Regards,

Lela Henke-Dobroth

pc: David Williams

241 Camino Cortina, Camarillo, CA 93010
Tel: 805-218-5654 - Fax 805-832-6856 - LelaHenke@verizon.net



June 19, 2019

Lela Henke-Dobroth
241 Camino Cortina
Camarillo, CA 93010

Re: David Williams – Administrative Review Concerning Notice of Collection of Overpayment

Dear Ms. Henke-Dobroth:

This letter is in response to your June 13th request on behalf of your client, David Williams, for reconsideration and further administrative review of VCERA's pending collection of overpayment.

First as a reminder, VCERA offered Mr. Williams a repayment period of 5 years with **no** interest; when he asked for a longer repayment period, VCERA offered a repayment period of 10 years **with** interest. To our staff's knowledge, on no other occasion has VCERA authorized a repayment period of more than 5 years.

Your letter sets forth your arguments as to why Ms. Williams is requesting the following:

1. Repayment by Mr. Williams will be limited to 3 years from the date of the last overpayment in March 2019. VCERA will recalculate that overpayment and advise Mr. Williams of the new amount he owes. The balance of overpayment beyond the 3-year statute of limitations can be paid by the employer/Plan sponsor as described in 6.06(3) and Appendix B 2.04.
2. Mr. Williams will not be required to pay interest on the newly calculated amount.
3. Mr. Williams will be allowed to repay the newly calculated amount, without interest, over a 5-year period.

Allow us to respond to the issues you have raised:

IRS Code

Your position is that IRS Rules do not require that VCERA recoup overpayment and interest from the member, but rather, could recoup overpayment and interest from the employer or another person.

IRS guidelines require that VCERA recoup the overpayment and interest; examples of permissible recoupment all describe the member repaying the amount of the overpayment to the member. Mr. Williams has essentially received advance payment of benefits; as explained, VCERA has determined repayment by Mr. Williams over a 5-year period, without interest, via an offset to future benefits is an appropriate correction given the IRS guidelines.

Williams, Review Overpayment
July 19, 2019
Page 2 of 4

VCERA's current earnings assumption rate is 7.25% (recently reduced from 7.50%), which meant that when an overpayment occurs, the fund not only loses the amount of the overpayment, but also the 7.25% or 7.5% interest, compounded, on each of those payments. This interest can be significant, and when interest is not charged, the unfunded liability is absorbed by the plan sponsor/employer. Accordingly, VCERA's correction method consists of recoupment from both the member (base amount of overpayment) and the plan sponsor (compounded interest). So, the employer will be making up the difference in the form of absorption of the unfunded liability. In this instance, the error was not an overpayment by the employer through payroll that was converted to the member's final compensation for retirement calculations; it was an overpayment of a supplemental retirement benefit, for which only retirees are eligible (as opposed to active members). Accordingly, transferring additional liability to the employer, or to the plan itself (which may result in liability to both the employer and active members) is not reasonable in this situation.

Statute of Limitations

Your position is that VCERA should limit Mr. Williams' repayment to 3 years from date of last overpayment in March 2019, and then charge the balance of the uncollected overpayment to the employer.

In order to comply with IRS requirements and fulfill the Board's fiduciary duty to the plan, VCERA must seek repayment for the entire amount that was overpaid to Mr. Williams. In the materials we sent to Mr. Williams on May 14, 2019, we provided the IRS Correction Principles which state that "*a failure is not corrected unless full correction is made with respect to all participants and beneficiaries, and for all taxable years . . .*" (EPCRS, Section 6.02.) The three-year statute of limitations set forth in Code of Civil Procedure section 338 does not apply here. VCERA's administrative process for seeking recoupment under authority of, and responsibility imposed by, the Internal Revenue procedures for recoupment of overpayment is not controlled by the statute of limitations applicable to a lawsuit filed in court. (See *Krolkowski v. San Diego City Employees' Retirement System (2018) 24 Cal.App.5th 537, 557-559.*) As in *Krolkowski*, nothing in the County Employees Retirement Law of 1937 ("CERL") prevents VCERA from seeking recoupment of overpayments through an administrative process. (See generally, Govt. Code § 31595.) VCERA operates under a constitutional grant of plenary authority which grants to the Board the sole and exclusive fiduciary responsibility over the assets of the system. (Cal. Const., art. XVI, § 17, subd. (a).) In support of your argument that VCERA is barred from collecting overpayments made to Mr. Williams more than three years ago, you cite to Government Code sections 20160, 20163 and 20532, which are contained in the Public Employees Retirement Law ("PERL"), and which you acknowledge to govern the Public Employees Retirement System, ("CalPERS"). Please be advised that the provisions of the PERL do not apply to county retirement systems under CERL, and there is no similar provision in the CERL limiting the Board's authority to recoup the full amount of an overpayment of benefits.

VCERA may not afford benefits that exceed the amounts authorized by CERL and, therefore, recoupment of the total amount of overpaid benefits is necessary for the Board's fulfillment of its duties under CERL. For account divisions in marital dissolution proceedings, a plan may not be ordered

Williams, Review Overpayment
July 19, 2019
Page 3 of 4

to make payments in any manner that results in an increase in the amount of benefits provided under the plan. (Govt. Code § 31685.95(a).)

Interest on Repayment

Your position is that Mr. Williams should not be required to pay interest on the overpayments erroneously provided to him, and you cite a provision in PERL that says collection of errors shall restore the member to the place he/she would have been, had the error not occurred. Again, this provision does not apply to CERL plans and the CERL contains no similar provision.

VCERA's duty is to pay to Mr. Williams the benefits to which he is entitled under the law. VCERA overpaid certain supplemental benefits by not reducing Mr. William's portion by the amount that was awarded to his former spouse in a stipulated Domestic Relations Order. In essence, this "advance payment" of benefits must now offset current benefits by the amount of those overpayments. Mr. Williams has been in a better position than he would have been had no error been made, in that he has had the benefit of funds that were not due and payable. To restore the parties to the position that in which they should have been, VCERA has proposed to recoup the overpayments via offset. The amount of the income tax increase on those overpayments will be offset by the amount of his reduced tax obligation on the reduced payments over the next five years of offset.

What VCERA proposed to all 15 members who received an overpayment is a repayment plan that forgives interest, provided the repayment is made within the time period determined by VCERA to be fair and reasonable. Factors considered in such determinations are 1) amount of overpayment; 2) period of time over which the overpayment was made; and 3) the monthly recoupment amount in relation to the total monthly benefit.

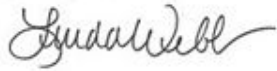
Mr. Williams' overpayment was the largest sum, and he received the most generous time period for repayment. Foregoing interest charges to members for the proposed repayment period results in an unfunded actuarial accrued liability (UAAL), which is payable by the plan sponsor. As the overpayment was the result of plan error, staff determined that it is both fair and reasonable to collect from the member only the amount of the overpayment without interest, provided repayment is made within the time period determined for each effected member. As Mr. Williams has requested a period of ten years over which to repay his overpaid benefits; VCERA has agreed, provided the payment plan includes interest. As previously explained, when there is an overpayment, the fund not only loses the amount of the overpayment, but the 7.25% interest, compounded, on each of those payments. Stretching repayment for a ten-year period results in a much larger loss to the plan, and a larger liability for the plan sponsor.

Thank you for explaining Mr. Williams' position. As requested, we have carefully weighed the arguments you have made on Mr. Williams' behalf concerning VCERA's proposed collection method for the overpayment. We hope that our response to each of the arguments helps to better explain the rationale for our administrative decision as to the most fair, reasonable, and legally-compliant way to collect the overpayment. Accordingly, VCERA will proceed with the recoupment on a 5-year, no interest basis, effective with the next benefit check. If you wish to formally appeal to the Board, please

Williams, Review Overpayment
July 19, 2019
Page 4 of 4

alert VCERA immediately so that the recoupment schedule can be postponed one additional month to allow for formal Board consideration in July.

Sincerely,

A handwritten signature in cursive script, appearing to read "Linda Webb".

Linda Webb
Retirement Administrator

CC: David Williams

From: Williams, David X.
Sent: Tuesday, June 25, 2019 4:46 PM
To: Webb, Linda <Linda.Webb@ventura.org>
Cc: LELA HENKE <lelahenke@verizon.net>
Subject: Re: [External] David Williams overpayment

Linda,
As I continue to explore my option, I'm asking that you not implement the VECRA proposed payback schedule. Please, however, provide me with the amount of the monthly reduction to my retirement benefits based on the current proposal of 5 yrs. minus interest.

Regards
David Williams

From: Williams, David X. <David.X.Williams@disney.com>
Sent: Monday, July 1, 2019 5:56 AM
To: Webb, Linda <Linda.Webb@ventura.org>
Cc: Lela Henke <lelahenke@verizon.net>
Subject: [External] FW: [External] David Williams overpayment

Linda,
In addition to the information requested below please be so kind and provide me with the following:

- Approximately date my ex-wife began receiving her pension benefit from VCERA, which included her portion of the vested Fixed Supplement Benefit and non-vested Supplement Benefit 2.
- The date in which I submitted my application to retire.
- The name(s) of the VECRA employee who explained the retirement benefits per my ex-wife and my individual retirement accounts
- The amount of the monthly reduction to my retirement benefits based on the current proposal of 5 yrs. minus interest.
- Please provide the DRO per CERL Code xxxxx and that allows for a separate account to be established in my ex-wife's name

Again, I'm asking that you NOT implement VCERA proposed payback schedule at this point in time

Regards,
David Williams VECRA

From: Webb, Linda [<mailto:Linda.Webb@ventura.org>]
Sent: Monday, July 08, 2019 7:41 PM
To: Williams, David X. <David.X.Williams@disney.com>

Cc: Lela Henke <lelahenke@verizon.net>

Subject: RE: [External] David Williams overpayment

Good afternoon,

I'm providing our responses to your questions below in red. Note that where an attachment is referenced, I'll have to send those in a separate secure email because the attachments contain personally identifiable information (PII).

- Approximately date my ex-wife began receiving her pension benefit from VCERA, which included her portion of the vested Fixed Supplement Benefit and non-vested Supplement Benefit 2.
 - Former spouse, Adelle Williams, retired effective 8/8/2001, at which time she began receiving the vested Fixed Supplemental Benefit. The non-vested supplement benefit was added in May 2003 after the BOR approved the benefit.
- The date in which I submitted my application to retire.
 - 9/14/2005 (retirement application is attached)
- The name(s) of the VECRA employee who explained the retirement benefits per my ex-wife and my individual retirement accounts
 - David Williams' retirement application was processed by Patty Vandewater. Adelle Williams' retirement application was processed by Russell Fujimoto. We do not have any record of personal counseling, visitors' log, etc. for that time period.
- The amount of the monthly reduction to my retirement benefits based on the current proposal of 5 yrs. minus interest.
 - \$170.13 per month. (Overpayment detail is attached)
- Please provide the DRO per CERL Code xxxxx and that allows for a separate account to be established in my ex-wife's name
 - A copy of conformed DRO is attached, along with VCERA's policy on account divisions.

I hope this information is helpful, and again, please watch for a second secure email with attachments.

Regards,

Linda Webb
Retirement Administrator



Ventura County Employees' Retirement Association

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

Direct: 805.339.4262 | Administration Fax: 805.339.2502
Main Line: 805.339.4250 | Department Fax: 805.339.4269

[Email](#) | [Website](#)

From: Williams, David X. <David.X.Williams@disney.com>
Sent: Tuesday, July 9, 2019 6:19 AM
To: Webb, Linda <Linda.Webb@ventura.org>
Subject: [External] RE: [External] David Williams overpayment

Linda,

Thank you for the following up and attached documents. I'm in the process of formalizing my response, which will include my sending a letter to the VCERA Board of Directors requesting a fair and equitable repayment plan for myself and the other affected members.

Regards,
David

From: Webb, Linda [<mailto:Linda.Webb@ventura.org>]
Sent: Tuesday, July 09, 2019 11:39 AM
To: Williams, David X. <David.X.Williams@disney.com>
Subject: RE: [External] David Williams overpayment

David,

I will certainly provide whatever you submit to the Board for their review. FYI, next Monday is our July business meeting, and after that the Board is "dark" in August so the next meeting following would be September 9th. Do you want to try to get your item on Monday's agenda? Per Brown Act, we have to post no later than Friday morning at 9 a.m., though we typically post late Thursday afternoon.

Linda Webb

From: Williams, David X. <David.X.Williams@disney.com>
Sent: Tuesday, August 20, 2019 8:50 AM
To: Webb, Linda <Linda.Webb@ventura.org>
Cc: lelahenke@verizon.net
Subject: David Williams Letter to the VCERA Board of Directors

Linda,

I do hope you're enjoying the summer with family and friends. It's been hot and hotter here in Florida with a marked increase in the every afternoon monsoon type rain shower, which when coupled with the 99' temperature isn't comfortable. As promised, attached is my letter to the VCERA Board of Directors with supporting documentation. It is my hope that after reviewing the attached information the board will be amenable to a reasonable resolution.

Please confirm receipt of attachments

Regards,
David Williams

ATTACHMENTS CONSISTED OF PREVIOUS CORRESPONDENCE, AND THE NEW LETTER (SEE NEXT PAGE)

August 20, 2019

Board of Retirement

Ventura County Employees' Retirement Association

1190 S. Victoria Avenue, Suite 200

Ventura, CA 93003

RE: Overpayment of Supplement Benefits

David R. Williams

Dear Members of the Board:

Thank you for the opportunity to seek your consideration in the matter of my overpayment. As background, I would like to set out the facts to the best of my knowledge.

- I honorably served Ventura County as a sworn deputy sheriff for 25 years.
- In early 2001, my spouse and I divorced.
- Per the divorce settlement, my former spouse received her community property portion of my VCERA account.
- The account was split by VCERA in accordance with the Qualified Domestic Relations Order for Support (QDRO) and a separate account was established in her name
- My ex-wife began receiving her pension benefit from VCERA August 2001 which included her portion of the vested Fixed Supplement Benefit. The non-vested Supplement Benefit 2 was added in May 2003
- In September 2005, I submitted my application to retire. The VCERA Benefits Associate explained that my ex-wife had been receiving the 50% of the supplement, which would therefore result in a reduction of benefits due to me due the fact that I had a DRO split out of my account.
- I retired effective November 2005 and began receiving my pension
- In March, 2019, VCERA system administrators, when performing cost of living adjustment (COLA) audit, discovered that the supplemental benefits amounts, when combined with those of their former spouses, did not equal \$108.44 or \$27.50. The population impacted was 17 members: 2 underpayments, 15 overpayments.
- On April 29, 2019, I received a letter from VCERA stating that I owed them \$10,207.74 in overpaid supplemental benefits for the past 14 years.
- I was given the opportunity to repay \$10,207.74 over 5 years at payments of \$170.13 per month.
- Along with the monthly repayment, my check would also be reduced by \$50.70 to correct the supplement benefits going forward, including the complete removal of Supplement Benefit 2 as of July 1, 2019.
- This would have reduced my monthly check by the substantial amount of \$233.69 for the next five years
- I contacted Shalini Nunna to discuss the letter and my concerns. Specifically: statute of limitations barring claims older than 3 years, longer period to repay, and offered to repay the amount owed

over the same time as I had received the overpayment (14 years). She was very polite and stated she would discuss it with staff and get back to me.

- Shalini Nunna notified me that there is no statute of limitations applicable in this situation and that to extend payments over 10 years I would be charged interest at 7.25%! I was also informed that there were 15 retirees who were identified for overpayment and that I had been given the most generous time to make repayment.
- I retained Lela Henke Dobroth to submit a letter to your Administrator, Linda Webb (please see attached)
- Ms. Webb's response is also attached.

I believe the initial error that affected myself and 17 other VCERA members was due to inattention and the lack of internal controls at critical stages in the retirement process; the absence of internal controls was compounded by VCERA failing to embrace technology in a timely manner.

The proposed repayment requires me and the other affected retirees to go through the added expense and effort to file amended tax returns in the attempt to recoup income taxes paid on the amounts incorrectly calculated by Ventura County.

I acknowledge that some of the points given in Ms. Henke Dobroth's letter refer to codes from PERL, and that VCERA is governed by CERL. Specifically, the limit of recovering a maximum of three years of overpaid benefits. In other words, legislation to set a statute of limitations on repayment when PERS has made an error and overpaid a retiree. PERS is a California public retirement plan as is VCERA. Both need to retain their "qualified" plan and tax exempt status. They must have set in place a plan to recoup any funds not repaid by the retiree during by the three-year limitations period. The additional funds to be paid by either the employer or added to their UAAL or utilized the Board's Errors and Omission insurance Either way, the system would then be restored for IRS purposes.

Per Ms. Webb's letter, it is not appropriate to pass the cost to the employer or to "active" employees because this was an overpayment of supplement benefits which are only for retirees. However, since the bulk of my overpayment was the Fixed Supplement Benefit which is vested, this is a benefit that all "active" employees will receive when they retire. I want to know if any others were also given five years to repay, even though they had been overpaid for less than 5 years. I believe I was ultimately given a more stringent repayment schedule.

I respectfully request this Honorable Board to consider providing me with the following relief:

- Submit a claim to the liability insurance company for Ventura County to determine if Ventura County's failure to employ adequate safeguards for periodic reviews and/or negligent calculation by VCERA are cognizable claims under the County's policy.
- In the event that the liability insurance company will not cover the losses associated with Ventura County's lack of internal control and negligence, I request that all affected retirees only be required to repay the last three years of overpayments and each of us be given a five year, interest free, period to make those payments.

- Calculate the amount due using sound actuarial calculations to reflect the difference in purchasing power of the monthly sums erroneously paid to myself and the other retirees over the course of several years.

I live in Florida and am unable to attend your meeting on this matter. However, you may contact me at the number below with any questions you may have.

Thank you for your time and consideration.

Sincerely,



David R. Williams

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



September 9, 2019

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: RECOMMENDED CHANGES TO VCERA SERVICE PROVIDER SELECTION POLICY

Dear Board Members:

VCERA's Service Provider Selection Policy is due for Board review, as its review frequency is every three years, and the last review was in 2016.

The Retirement Administrator, General Counsel, Chief Investment Officer and Chief Financial Officer have reviewed the current policy and identified suggested changes. The provided redlined policy reflects staff's combined recommended changes for Board review.

RECOMMENDED ACTION:

APPROVE PROPOSED CHANGES TO VCERA'S SERVICE PROVIDER SELECTION POLICY

Staff will be happy to answer any questions at the September 9, 2019 disability meeting.

Sincerely,

Linda Webb
Retirement Administrator

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SERVICE PROVIDER SELECTION POLICY

I. Background and Objectives

- 1) The Service Provider Selection Policy is intended to establish guidelines by which service providers will be selected and retained by VCERA.
- 2) The objective of this policy is to ensure that the process of selecting service providers is diligent and efficient.

II. Roles and Responsibilities

- 3) The role of the Board with respect to the selection of service providers is to:
 - a) Establish appropriate policies to help ensure prudent and sound selection decisions are made;
 - b) To monitor compliance with such policies; and
 - c) To approve, in consultation with the Retirement Administrator and, where appropriate, Board Counsel, the Chief Investment Officer (CIO) and/or consultants, the appointment of retained service providers, which include:
 - i. The actuary;
 - ii. The actuarial auditor;
 - iii. The independent financial auditor;
 - iv. The master trust/plan custodian;
 - v. Additional legal counsel retained to advise the Board;
 - vi. Investment consultants;
 - vii. Investment managers;
 - viii. Human resource consultants;
 - ix. Information systems technology providers; and
 - x. Hearing Officers.
- 4) Unless the Board determines otherwise, the Retirement Administrator and/or designee will be responsible for appointing, and procuring and/or executing contracts with, service providers other than the retained service providers listed above and for informing the Board of such appointments, and will be responsible for seeking Board approval, where the services are publicly or politically sensitive, or the contract exceeds \$100,000 or as part of the private equity full-discretion consultant mandate.

*VCERA
Service Provider Selection Policy*

- 5) The Chair will execute contracts with the retained service providers listed on the previous page, and all other professional service contracts exceeding \$100,000, unless signature authority is delegated by the Board to the Retirement Administrator and/or designee or as part of the private equity full-discretion consultant mandate in an open meeting.
- 6) The ~~Retirement Administrator~~ Chief Investment Officer (CIO), consultation with the Retirement Administrator, will coordinate all investment-related search and due diligence activities, in conjunction with staff, investment consultants and other external experts, as required. When deemed necessary by the Board, Mmembers of the Board will participate in due diligence activities in order to oversee the due diligence activities of staff and consultants, and the performance of retained service providers.

III. The Search Process

General Guidelines

- 7) The appointment of all service providers will be made in the best interests of the members and beneficiaries of VCERA, in keeping with the fiduciary responsibilities of the Board and staff.

Retained Service Providers

- 8) Prior to conducting a search for a retained service provider, the Retirement Administrator, CIO, or consultant, as appropriate, will present the following information to the Board:
 - a) The type of service provider being sought and the supporting rationale;
 - b) The objectives and selection criteria to be met and their relative importance;
 - c) A projected timeline for the search process; and
 - d) A description of the search process deemed most appropriate and cost effective in the circumstances, and including:
 - i. Whether a search consultant is to be used in the process;
 - ii. The due diligence efforts to be undertaken (for example, site visits and reference checks);
 - iii. Evaluation criteria to be used and their relative weights;
 - iv. Whether a Request for Proposal (RFP), or a variation thereof, is to be used with supporting rationale;
 - v. Whether a sole source approach is to be used, with supporting rationale; and

*VCERA
Service Provider Selection Policy*

- vi. Other pertinent information that the Retirement Administrator believes may assist the Board in better understanding the search process.
- 9) The Board, or a committee of the Board, may interview the candidates prior to the Board making a final selection decision. The exact number of candidates to be interviewed will be determined by the Board. The Board may delegate this responsibility to conduct interviews to the Retirement Administrator and request that the Retirement Administrator recommend a candidate for ratification by the Board.
- 10) The Retirement Administrator, CIO, or consultant will provide the Board or a designated committee of the Board with periodic reports on the status of all search processes.
- 11) Upon completion of the analysis and due diligence involved in the search process, the Retirement Administrator, CIO, or consultant will provide the Board or a designated committee of the Board with, at a minimum:
- a) A description of the due diligence activities undertaken;
 - b) A list of finalist candidates to be interviewed and an analysis of each candidate;
 - c) Confirmation of compliance with the selection criteria and search process presented to the Board prior to the commencement of the search, or an explanation of any deviations that occurred; and
 - d) A description of the expected performance monitoring and reporting efforts to be carried out with respect to the service provider in question throughout the term of the engagement.
- 12) The Board may institute a “quiet period” when
- a) the Board initiates a search process that may result in the appointment of a new service provider or in the expansion of its relationship with an existing service provider;
 - b) a current service provider is placed on an official “watch list” signifying that the service provider’s performance has fallen below expectations and warrants closer scrutiny; or
 - c) the Board deems it is in the best interest of VCERA to -require that, for a limited period of time, communications between trustees and specified service providers be restricted to Board and committee meetings only.
- 13) The initiation of a quiet period will be recorded in the minutes of the Board meeting at which it occurred.
- 14) During quiet periods, in conjunction with the Service Provider Policy, trustees shall neither communicate with the specified service providers, except during Board or

*VCERA
Service Provider Selection Policy*

committee meetings, nor accept meals, travel, hotel, or other gifts from the specified service providers.

- 15) A quiet period will cease:
- a) when a service provider has been appointed by the Board or the search process is otherwise ended; or
 - b) when a service provider on an official “watch list,” which has had a quiet period implemented, is subsequently removed from the watch list; or
 - c) when the quiet period is ended by action of the Board; or
 - d) when otherwise determined by action of the Board.

IV. Contract Review

- 16) All contracts entered into by VCERA, and the Retirement Administrator, will be subject to review by Board Counsel prior to ~~presentation to the Board~~contract execution.

V. Monitoring and Reporting

- 17) All service providers will be subject to regular and appropriate performance monitoring by staff, and periodic reviews, as appropriate, throughout the term of their contracts. Criteria for review may include performance, staff satisfaction, competitiveness of fees, quality of reporting, and accuracy of assumptions and forecasts.
- 18) The Retirement Administrator will report as needed to the Board on all monitoring efforts involving non-investment retained service providers, identifying in a timely manner any material issues or actions taken. The Chief Investment Officer will have the same responsibility for investment-related retained service providers.
- 19) All monitoring and reporting provisions contained in this policy serve as minimum requirements. If more stringent requirements are established within other policies of VCERA, such requirements will prevail.
- 20) The Retirement Administrator, CIO, or investment consultant(s), as appropriate, will report in a timely manner to the Board any failures by retained service providers to comply with the terms of their contract.

VI. Policy Review

- 21) The Board will review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

*VCERA
Service Provider Selection Policy*

VII. Policy History

- 22) This policy was last reviewed and approved on September ~~9~~¹², 201~~9~~⁶. This policy was originally adopted by the Board on June 2, 2003, and amended on September 12, 2016.



September 9, 2019

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: PERIODIC REVIEW OF BOARD CHARTERS AND OTHER POLICIES

Dear Board Members:

As part of the Board Policy Development Process, each Board policy is to be formally reviewed, with varying frequency depending on the policy. Several policies with a review frequency of three years were last reviewed in September of 2016.

While most policies lend themselves to staff submitting suggested edits for Board review and approval, some particularly necessitate inspection and scrutiny by the Board itself. Several of those policies are currently due (or in one case, overdue) for Board review; therefore, staff is providing the following policies to allow the Board to identify any changes needed, and instruct staff on implementing those changes.

<u>Policy</u>	<u>Review Frequency</u>	<u>Last Review</u>
● Charter: Board of Retirement	Every 3 years	9/12/2016
● Charter: Chair	Every 3 years	9/12/2016
● Charter: Vice Chair	Every 3 years	9/12/2016
● Charter: Retirement Administrator	Every 3 years	9/12/2016
● Board Policy Review Process	Every 3 years	9/12/2016
● Monitoring and Reporting	Every 3 years	9/12/2016
● Trustee Communication	Every 3 years	6/17/2013*

**Overlooked in 2016.*

RECOMMENDATION: DESIGNATE TRUSTEES TO REVIEW BOARD CHARTERS AND RECOMMEND ANY CHANGES TO THE BOARD FOR APPROVAL.

VCERA staff will be pleased to respond to any questions on this matter at the September 9, 2019, meeting.

Sincerely,

Linda Webb
Retirement Administrator

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT CHARTER

I. Introduction

- 1) The Board is committed to carrying out its policy and oversight role in accordance with the highest standards of fiduciary practice. In doing so, it recognizes the need to clearly delineate the responsibilities of the various decision-making bodies involved in the governance and management of VCERA. Accordingly, the Board has established this charter, which sets out its own duties and responsibilities in governing VCERA.

II. Duties and Responsibilities

Governance

- 2) The Board will:
 - a) Approve, and amend as necessary, the mission statement of VCERA;
 - b) Enact regulations or bylaws, consistent with the County Employees Retirement Law of 1937, Government Code, Title 3, Division 4, Part 3, Chapter 3 and 3.9, Sections 31450 *et. seq.* as amended, the California Public Employees' Pension Reform Act of 2012, and other applicable laws;
 - c) Enact, and amend as necessary, policies to ensure appropriate governance practices;
 - d) Enact charters describing the roles and responsibilities of the Board, the Retirement Administrator, the Chair, Vice Chair, and any board committees that may be established, and amend said charters as appropriate;
 - e) Elect a Chair and a Vice Chair;
 - f) Initiate, support or oppose legislative proposals affecting VCERA; and
 - g) Authorize and or approve all actions concerning litigation that may affect the investments, benefits or funding of VCERA.

Investments and Funding

- 3) The Board has exclusive control of the investments of VCERA. The assets of VCERA are trust funds and, as such, the Board will manage the assets:
 - a) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering VCERA;

*VCERA
Board of Retirement Charter*

- b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims; and
 - c) By diversifying the investments of VCERA so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.
- 4) The Board's duties to its participants and their beneficiaries shall take precedence over any other duty.
 - 5) The Board will conduct a study of the relationship between the assets and liabilities of VCERA not less than every three years.
 - 6) The Board will approve an Investment Policy Statement including investment objectives, and will review and confirm or amend such policy as necessary.
 - 7) The Board will approve broad investment strategies for achieving the investment objectives of VCERA, which will include at a minimum:
 - a) Investment manager structures;
 - b) Investment style and market capitalization strategies; and
 - c) Active and passive investment allocations.

Benefits Administration

- 8) The Board will:
 - a) Adopt board policies deemed necessary to ensure effective administration of member and surviving beneficiary benefits;
 - b) Approve all qualified members who apply for service retirement;
 - c) Determine the merits of applications for disability benefits, making necessary determinations of eligibility and permanency of incapacity;
 - d) Act on member and surviving beneficiary appeals of decisions made by VCERA staff;
 - e) Annually approve cost-of-living adjustments for eligible retirees and surviving beneficiaries; and
 - f) Annually review any non-vested supplemental benefit payments to retirees and surviving beneficiaries.

*VCERA
Board of Retirement Charter*

Operations

- 9) The Board will:
- a) Approve a business plan and any updates thereto in accordance with the Business Planning Policy;
 - b) Approve the annual operating budget and any changes thereto;
 - c) Ensure that all required contributions to VCERA are collected in a timely manner;
 - d) Ensure that all required distributions from VCERA are made in a timely manner;
 - e) Approve leasehold or purchase agreements in connection with VCERA's offices; and
 - f) Approve operational policies to support the efficient delivery of member and surviving beneficiary services.

Financial, Actuarial and Accounting

- 10) The Board will:
- a) Approve the annual actuarial valuation and the actuarial assumptions contained therein, upon the advice of the actuary and other experts as required, and transmit to the Board of Supervisors a recommendation to implement such changes in the contribution rates of the county and districts, and members, as are necessary. At least 25 days prior to taking any action concerning the actuarial valuation, the Board shall provide a copy of the valuation to each employee organization recognized by the County of Ventura, and to any recognized retiree organization.
 - b) Approve the Comprehensive Annual Financial Report;
 - c) Ensure a financial audit is conducted at least annually;
 - d) Ensure an actuarial experience study is conducted every three years; and
 - e) Ensure an actuarial audit is conducted at least every six years, unless the Board has replaced the actuary or is contemplating replacing the actuary shortly before or after the time that an actuarial audit is due.

Human Resources

- 11) The Board will:

*VCERA
Board of Retirement Charter*

- a) Approve a Retirement Administrator, Board Counsel, and Chief Investment Officer Performance Evaluation Policy;
- b) Approve the compensation of the Retirement Administrator, Board Counsel, and Chief Investment Officer;
- c) Approve the staffing levels of VCERA; and
- d) Ensure that appropriate provisions for succession are in place to provide for continuity in VCERA staff.

Communications

- 12) The Board will:
 - a) Ensure effective communications with all significant interest groups including, but not limited to, plan participants, the plan sponsors, recognized retiree organizations, and employee organizations;
 - b) Ensure that the Comprehensive Annual Financial Report, or a summary thereof, is available to members and the public; and
 - c) Ensure the adequacy of the Annual Member Statement and ensure its timely distribution to all members.

Key Appointments

- 13) The Board will appoint the Retirement Administrator, Board Counsel, and Chief Investment Officer.
- 14) The Board will appoint the following retained service providers, taking into consideration the recommendation of staff or consultants:
 - a) The actuary;
 - b) The actuarial auditor;
 - c) The financial auditor;
 - d) The custodian;
 - e) Additional legal counsel retained to advise the Board;
 - f) Investment consultants;
 - g) Investment managers;
 - h) Human resource consultants;

- i) Information systems technology providers; and
 - j) Hearing Officers.
- 15) Unless the Board determines otherwise, the Retirement Administrator will be responsible for appointing, and executing contracts with, service providers other than the retained service providers listed above and for informing the Board of such appointments, and will be responsible for seeking Board approval, where the services are publicly or politically sensitive, or the contract exceeds \$100,000.

III. Monitoring and Reporting

- 16) The Board will ensure that appropriate monitoring and reporting practices are established within VCERA.
- 17) The Board will annually:
- a) Review compliance with board policies;
 - b) Review the Retirement Administrator's, Board Counsel's, and Chief Investment Officer's job performance in accordance with the applicable Performance Evaluation Policy;
 - c) Review the performance of the Board itself;
 - d) Review the funded status of VCERA via the actuarial valuation;
 - e) Review VCERA's internal financial and operating controls as presented by the financial auditor;
 - f) Review the investment performance of VCERA and the performance of its investment managers.
- 18) The Board will review the actuarial experience of VCERA not less than every three (3) years.
- 19) The Board will review the results of an actuarial audit of VCERA at least every six years, except as otherwise provided in Section 10 e).
- 20) The Board will review progress toward the implementation of VCERA's business plan on an annual basis.
- 21) The Board will review board policies at a frequency to be set out in each policy.
- 22) The Board will review the operating budget on a monthly basis.

VCERA
Board of Retirement Charter

- 23) With the assistance of the Retirement Administrator, the Board will, on a regular basis, review the performance of all retained service providers including the actuary, the financial auditor, the investment consultant and counsel.

IV. Compensation of Members; Expenses

- 23) Eligible Board members shall receive compensation at a rate of not more than one hundred dollars (\$100) a meeting, meeting of a committee, or meeting of an ad hoc committee, authorized by the entire board, for not more than five meetings per month, together with actual and necessary expenses for all members of the Board.

V. Review

- 24) The Board will review this charter at least once every three (3) years to ensure that it remains relevant and appropriate.

VI. History

- 25) The Board last reviewed and approved this charter on September 12, 2016. This charter was originally adopted by the Board on September 15, 2008.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

CHAIR CHARTER

I. Introduction

- 1) At its first regular meeting in December, the Board will elect one of its members as Chair to hold office for a period of one year, commencing January 1 of the following year. Members may be re-elected to the office of Chair without limitation. The Chair will exercise the powers and will perform the duties and functions specified herein. In presiding at meetings of the Board, the Chair shall attempt to refrain from entering into any discussion on the merits of any issue before the Board until it appears all other members of the Board wishing to comment have had the opportunity to state their positions on such issue.
- 2) No member shall be elected to the position of Chair until he or she has served on the Board for a minimum of one year.

II. Duties and Responsibilities

- 3) The Chair will:
 - a) Recommend to the Board the appointment of committees and ad hoc committees of the Board;
 - b) Appoint a chair for each committee and ad hoc committee, or delegate to the committee the responsibility of appointing a chair;
 - c) Preside at meetings of the Board, ensuring that such meetings are conducted in an efficient and effective manner;
 - d) In consultation with the Retirement Administrator, ensure coordination of meetings of the Board, agendas, schedules and presentations;
 - e) Facilitate effective and open communications between the Board and the Retirement Administrator, Board Counsel, and Chief Investment Officer
 - f) Work to ensure cohesion within the Board;
 - g) Sign subpoenas if the Retirement Administrator is unavailable;
 - h) Execute all investment manager contracts entered into by VCERA, and all other professional service contracts exceeding \$100,000, unless signature authority is delegated by the Board to the Retirement Administrator in an open meeting;
 - i) Review travel and other expenses of the Retirement Administrator on a quarterly basis;

*VCERA
Chair Charter*

- j) Sign the minutes which shall be part of the permanent records of the Board;
and
 - k) Carry out such other functions and duties as are prescribed by the Board.
- 4) The Chair shall be available to discuss with the Retirement Administrator any public relations matter the Retirement Administrator believes to be potentially sensitive or controversial in order to determine the most appropriate response, and to determine whether the Chair or the Retirement Administrator should act as spokesperson on the matter.

Notwithstanding the above, the Chair will serve as official spokesperson for VCERA on any public relations matter pertaining to the Retirement Administrator and for which it would be inappropriate for the Retirement Administrator to serve as spokesperson, such as matters relating to the ethical conduct of the Retirement Administrator.

III. Review

- 5) The Board will review this charter at least once every three (3) years to ensure that it remains relevant and appropriate.

IV. History

- 6) The Board last reviewed and approved this charter on September 12, 2016. This charter was originally adopted by the Board on June 2, 2003.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

VICE CHAIR CHARTER

I. Introduction

- 1) At its first regular meeting in December, the Board will elect one of its members as Vice Chair to hold office for a period of one year, commencing January 1 of the following year. Members may be re-elected to the office of Vice Chair without limitation. No member shall be elected to the position of Vice Chair until he or she has served on the Board for a minimum of one year.

II. Duties and Responsibilities

- 2) The Vice Chair will assume the duties of the Chair in the event the Chair is unable to fulfill the duties of the position.
- 3) In order to assume the duties of the Chair effectively, the Vice-Chair is responsible for ensuring that he or she is familiar with the duties of the Chair.

IV. Review

- 4) The Board will review this charter at least once every three (3) years to ensure that it remains relevant and appropriate.

V. History

- 5) The Board last reviewed and approved this charter on September 12, 2016. This charter was originally adopted by the Board on June 2, 2003.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

RETIREMENT ADMINISTRATOR CHARTER

I. Introduction

- 1) The Board will appoint a Retirement Administrator who will serve at its pleasure. The Retirement Administrator is the most senior executive of VCERA and is subject to the VCERA Management Employees Resolution and is exempt from Ventura County civil service rules. This charter sets out the roles and responsibilities of the Retirement Administrator.

II. Duties and Responsibilities

Leadership and Policy Analysis

- 2) The Retirement Administrator will provide leadership for VCERA staff in implementing the programs necessary to achieve the mission, goals and objectives established by the Board. The Retirement Administrator will manage the day-to-day affairs of VCERA in accordance with policies established by the Board, and may delegate duties to senior management and staff as necessary.
- 3) The Retirement Administrator will provide support to the Board and its committees in establishing all governance, administrative and operational policies of the Board including identifying and analyzing issues requiring Board policy, and providing well-supported policy recommendations for consideration by the Board or its committees. The Retirement Administrator may advise the Board on investment policy matters, but primary responsibility for such recommendations rests with the investment consultant.
- 4) The Retirement Administrator will be responsible for ensuring that all administrative and operational policies of the Board, excluding governance and investment policies, are properly implemented.

Governance

- 5) The Retirement Administrator will:
 - a) Recommend to the Board policies to help ensure appropriate governance practices;
 - b) Assist the Board in implementing its governance policies, charters, and bylaws; and
 - c) Assist the Board in coordinating Board member education and travel arrangements.

*VCERA
Retirement Administrator Charter*

- 6) The Retirement Administrator will carry out the following duties for the Board:
- a) Coordinate meetings, agendas, schedules and presentations for both Board and committee meetings in accordance with the Brown Act;
 - b) Maintain minutes of Board meetings and notes for committee meetings;
 - c) Sign the minutes of Board meetings upon approval of the Board;
 - d) Sign subpoenas;
 - e) Under the direction of the Chair or, in the Chair's absence, the Vice-Chair, sign all resolutions and policies adopted by the Board.

Benefits Administration

- 7) The Retirement Administrator will:
- a) Recommend to the Board, as necessary, policies and staffing to ensure effective administration of member benefits;
 - b) Ensure accurate payment of benefits to members, and address problems or errors in accordance with established policies and procedures;
 - c) In consultation with medical evaluators and counsel, schedule disability applications to the Board for its consideration;
 - d) Maintain accurate records of member accounts; and
 - e) Ensure delivery of high standards of service to members including calculations and counseling.

Operations

- 8) The Retirement Administrator will:
- a) Recommend to the Board, as appropriate, Board policies and staffing designed to help ensure effective operations;
 - b) Develop and recommend a Business Plan to the Board, as well as updates to the Plan as necessary;
 - c) Recommend the annual operating budget to the Board;
 - d) Execute agreements and authorize payments related to the administration of VCERA, consistent with the operating budget;
 - e) Account for and ensure appropriate collection, deposit, and distribution of funds as required;

*VCERA
Retirement Administrator Charter*

- f) Implement internal operational controls;
- g) Ensure the appropriate design, acquisition, implementation, and maintenance of all technological systems required to administer VCERA;
- h) Maintain the records of VCERA in a permanent and readily accessible format;
- i) Maintain an effective working relationship with plan sponsors and other constituency groups.

Finance, Actuarial and Accounting

- 9) The Retirement Administrator will:
 - a) Prepare the Comprehensive Annual Financial Report for approval by the Board;
 - b) Implement appropriate internal financial controls to safeguard the assets of VCERA;
 - c) With the assistance of the Chief Financial Officer, coordinate the annual financial audit;
 - d) Coordinate the actuarial valuation, actuarial experience studies, and actuarial audits; and
 - e) Per Government Code Section 31597.1, adopted by the Board of Supervisors on May 19, 1981, before December 31 of each year, file in the office of the County Auditor and with the Board of Supervisors a sworn statement as part of the Comprehensive Annual Financial Report, which will exhibit the financial condition of VCERA at the close of the preceding fiscal year and its financial transactions for the year ending on that day.

Human Resources

- 10) The Retirement Administrator will:
 - a) Hire, manage and terminate senior management and staff; and
 - b) Develop training and job development programs for VCERA staff as approved in the annual budget.

Legislation and Litigation

- 11) The Retirement Administrator will:
 - a) Recommend legislative proposals to be considered by the Board;
 - b) Coordinate with legal counsel all legal proceedings involving VCERA;

*VCERA
Retirement Administrator Charter*

- c) In consultation with legal counsel, provide recommendations to the Board concerning settlement or other legal action involving VCERA; and
- d) Develop and implement plans to comply with court rulings or new legislation.

Communications

- 12) The Retirement Administrator will:
 - a) Ensure effective and timely communications with stakeholders on matters relating to the administration of VCERA. Such communications may include press releases, newsletters, presentations, and internet communications; and
 - b) Act as official spokesperson for VCERA. The Retirement Administrator will, however, discuss with the Chair any public relations matters that are potentially sensitive or controversial to determine the most appropriate response and to determine whether the Retirement Administrator or the Chair should act as spokesperson on the matter.

Appointment of Service Providers

- 13) The Retirement Administrator will cause the necessary due diligence to be performed for the following retained service providers:
 - a) The actuary;
 - b) The actuarial auditor;
 - c) The independent financial auditor;
 - d) The master trust/plan custodian;
 - e) Legal counsel;
 - f) Human resource consultants;
 - g) Information systems technology providers;
 - h) Hearing Officers; and
 - i) Other service providers.

The Retirement Administrator will provide the Board with appropriate recommendations, in accordance with the Service Provider Selection Policy.

- 14) The Retirement Administrator may execute contracts with service providers, other than investment managers, where the amount does not exceed \$100,000, consistent with the operating budget and other policies of the Board, provided that the Board has not specifically retained the authority to hire such service providers, and the

*VCERA
Retirement Administrator Charter*

Retirement Administrator may execute a contract entered into by VCERA with an investment manager, or greater than \$100,000, when signature authority is delegated by the Board in an open meeting.

III. Monitoring and Reporting

- 15) The Retirement Administrator will provide the Board with relevant, appropriate and timely information to enable it to properly carry out its oversight responsibilities with respect to the benefit administration function of VCERA. Furthermore, the Retirement Administrator will apprise the Board in a timely manner of all significant issues, problems, or developments pertaining to VCERA, and provide recommended courses of action as appropriate.
- 16) The Retirement Administrator will:
 - a) Review all administrative and operational policies of VCERA on a regular basis to ensure they are being followed and continue to meet the needs of VCERA;
 - b) Monitor the funded status of VCERA and all issues that may reasonably have a significant impact on such status;
 - c) Review the findings of the annual financial audit, and of any internal audits that may be performed;
 - e) Assist the Board in the review of the activities and performance of the actuary, independent financial auditor, investment consultant, legal counsel, and master trust/plan custodian on a regular basis;
 - f) Monitor and evaluate the activities and performance of senior management and staff;
 - g) With the assistance of the Chief Financial Officer, monitor the accuracy and timeliness of all payments due to and payable by VCERA;
 - h) Monitor VCERA's compliance with applicable laws and regulations concerning the benefit administration function; and
 - i) In conjunction with Board counsel and outside counsel, monitor the status of all legal proceedings involving VCERA and report to the Board as appropriate.

IV. Review

- 17) The Board will review this charter at least once every three (3) years to ensure that it remains relevant and appropriate.

*VCERA
Retirement Administrator Charter*

V. History

- 18) The Board last reviewed and approved this charter on September 12, 2016. This charter was originally adopted by the Board on June 2, 2003.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD POLICY DEVELOPMENT PROCESS

I. Background and Objectives

- 1) The Board is responsible for the overall governance of VCERA and for assuring that VCERA's mission is accomplished. In carrying out its responsibilities, the Board requires clear, sound policies and a structured process for establishing them.
- 2) The objectives of this policy are to:
 - a) Set out the method by which the Board will develop and approve the formal policies of VCERA;
 - b) Ensure that the method by which Board policies are established is rigorous and disciplined; and
 - c) Provide a template and structure for Board policies; and
 - d) Provide for regular review and monitoring of Board policies to ensure they continue to support the fiduciary responsibilities of the Board and the needs of VCERA.

II. Roles

- 3) The general role of the Retirement Administrator in the policy development process is to:
 - a) assist the Board in identifying Board policies that may be needed;
 - b) provide the Board and designated committees with sound, thorough analysis of policy issues, with the assistance of consultants as required; and
 - c) develop recommended policies for the consideration of the Board and its committees.
- 4) The general role of the Board and its committees in the policy development process is to satisfy itself that the policy recommendations and the underlying analysis thereof, emanating from the Retirement Administrator or the consultants, reflect the requisite level of skill, diligence, and care, and effectively support the mission and goals of VCERA.

III. Guidelines

Policy Development

- 5) The process of developing a Board policy will be initiated by an action of the Board- or by the Retirement Administrator. The need for a Board policy may be proposed by a trustee, a Board committee, the Retirement Administrator or a consultant.
- 6) In determining whether a particular issue warrants a Board policy, the Board will consider whether the issue satisfies the following criteria:
 - a) The issue may have a significant impact on or risk to VCERA;
 - b) The issue is expected to recur or continue indefinitely; and
 - c) The issue is not an operational issue that falls within the discretion of the Retirement Administrator, in which case the Retirement Administrator will be directed to establish and adopt a staff policy.
- 7) The Retirement Administrator will be responsible, with support of consultants as required, for performing all necessary policy research and analysis.
- 8) Board policies shall be documented and shall contain the following elements:
 - a) Purpose and objectives of the policy;
 - b) Guidelines to be followed;
 - c) Provisions for policy review, including frequency of review; and
 - d) Policy history.
- 9) Board policies may also contain the following optional elements:
 - a) Background or preamble;
 - b) Definitions;
 - c) Important underlying principles;
 - d) Examples for clarification; and
 - e) Other elements that may help clarify the Board's position.

*VCERA
Board Policy Development Process*

- 10) In approving a policy, the Board will satisfy itself that the proposed policy and the underlying analysis thereof:
 - a) Reflect the requisite level of skill, diligence and care;
 - b) Satisfy the purpose of the policy, as defined at the outset by the Board; and
 - c) Effectively support the mission and goals of VCERA.
- 11) All of VCERA's Board policies will be organized for easy reference, maintained in an up-to-date form in a single volume or series of volumes within VCERA's office and on VCERA's website, and will be accessible to trustees, staff, and the public.

Policy Compliance

- 12) As a general rule, the Board will comply with all Board policies. Should the Board take an action contrary to one of its policies, it will state in the Board minutes the reasons for doing so. At such time, the Board will also request that a review of the policy be undertaken.
- 13) All policies will be formally reviewed at a time specified within each policy. The Board may initiate a review of a policy in advance of the time specified in the policy if either the trustee making the motion to review the policy or the seconder of such motion previously voted in support of the policy.

IV. Process Review

- 14) The Board will review the Board Policy Development Process at least once every three (3) years to ensure that it remains relevant and appropriate.

V. Process History

- 15) The Board last reviewed and approved this policy on September 12, 2016. The Board previously reviewed and approved this policy on March 19, 2007.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
MONITORING AND REPORTING POLICY

I. Background

- 1) In keeping with the duty of the Board to oversee the activities and performance of VCERA, the Board has established this Monitoring and Reporting Policy, which sets out the Board's expectations concerning the reports it is to receive on a regular basis.

II. Guidelines

- 2) Appendix 1 of this Policy will address the routine reporting needs of the Board across a range of reporting areas including:
 - a) Governance;
 - b) Investments;
 - c) Funding; and
 - d) Administration.
- 3) The Board will be provided the routine reports outlined in Appendix 1 with a frequency also set out in Appendix 1. The Board will be provided other Personnel Committee reports as required.
- 4) Board members are expected to review and be familiar with all reports provided to the Board, and to question management about any issues of concern contained in any such report.
- 5) Management will work continuously to improve the routine reports provided to the Board to ensure they meet the needs of the Board, provide adequate information, and are user friendly.
- 6) Routine reports will not only address performance measurement, but also compliance with VCERA policies.

III. Policy Review

- 7) The Board will review this policy, including Appendix 1, at least once every three (3) years to ensure that it remains relevant and appropriate.

IV. Policy History

- 8) The Board last reviewed and approved this policy on September 12, 2016. The Board previously reviewed and approved this policy on March 19, 2007.

APPENDIX I

REPORTS RECEIVED BY THE BOARD OF RETIREMENT

Governance Reports

Report Name	Frequency	Prepared By	Presented By	Description and Purpose of Report
1. Retirement Administrator, Board Counsel, and Chief Investment Officer Evaluation	Annually	Personnel Committee	Chair of Personnel Committee	Summarizes the performance assessment of the Retirement Administrator, Board Counsel, and Chief Investment Officer
2. Governance Report	Annually	Staff	Retirement Administrator	A summary confirmation of compliance with governance policies of the Board.

Investment Reports

Generic Report Name	Frequency	Prepared By	Presented By	Description and Purpose of Report
3. Quarterly Investment Performance Report	Quarterly	Investment Consultant	Investment Consultant (IC) Chief Investment Officer (CIO)	Includes: <ul style="list-style-type: none"> • report on the investment performance of the total fund, each asset class and each investment manager report on the economic and investment environment, recommended asset allocation strategy (annually); • review of VCERA’s commingled funds and real estate investments; and • confirmation that the investment managers are investing plan assets in accordance with their mandate, investment agreement, regulatory requirements and VCERA policy.
4. Investment Summary	Monthly	Investment Consultant	ICCIO	Preliminary performance report for the prior month on individual investment managers and the total portfolio.
5. Asset and Liability Study	Every 3 years or as needed	Investment Consultant	ICCIO	A study of the relationship between VCERA’s assets and liabilities to determine the appropriateness of VCERA’s asset allocation policy.
			ICCIO	

Funding Reports

Generic Report Name	Frequency	Prepared By	Presented By	Description and Purpose of Report
6. Actuarial Valuation	Annually	Actuary	Actuary	Establishes the financial position of the pension plan on a going concern and solvency basis, and determines the rates of contribution.
7. Experience Analysis	Every 3 years	Actuary	Actuary	Reviews the appropriate long-term economic assumptions such as investment return and wage and price inflation, and demographic assumptions such as disability rates and mortality rates.
8. Actuarial Audit*	At least every 6 years*	Auditing Actuary	Auditing Actuary	An independent review of the validity of the analyses and methodologies used in preparing VCERA’s actuarial valuation.

Administrative Reports

Report Name	Frequency	Prepared By	Presented By	Description and Purpose of Report
9. Report on Business Plan	Annually	Staff	Retirement Administrator	Outlines the Business Plan and progress towards its implementation.
10. Operating Budget Summary	Monthly	Staff	Retirement Administrator	Summarizes the material variances from the operational budget.
11. Financial Report	Monthly	Staff	Retirement Administrator	Monthly report on the financial position of VCERA, covering unaudited financial statements and progress on the preparation of the financial statements.
12. Budget Status	Monthly	Staff	Retirement Administrator	Monthly status report on the adopted budget, adjusted budget in relation to expenditures to date.

* Unless the Board has replaced the actuary or is contemplating replacing the actuary shortly before or after the time that an actuarial audit is due to be conducted.

Administrative Reports (cont'd)

Report Name	Frequency	Prepared By	Presented By	Description and Purpose of Report
13. Comprehensive Annual Financial Report (“CAFR”) including: <ul style="list-style-type: none"> • Audited Financial Statements • Management Discussion and Analysis • Auditor’s Opinion 	Annually	Staff	Retirement Administrator / Independent Auditor	The Annual Report reviews the operations and activities of VCERA during the last fiscal year. It also includes: <ul style="list-style-type: none"> • The audited financial statements, which indicate the financial position of VCERA. • The Management Discussion and Analysis, which is management’s statement of the key financial activities and transactions of VCERA’s fiscal year • The Auditor’s opinion, confirming that the financial statements present fairly, in all materials respects, the financial status of VCERA, in accordance with generally accepted accounting principles.
14. Report of Checks Disbursed	Monthly	Staff	Retirement Administrator	Monthly report on the cash disbursed by VCERA during the prior month.
15. Report on Retirees	Monthly	Staff	Retirement Administrator	List of all new retirees, deferred members, and beneficiaries for prior month. Includes names, date of membership, length of service, other service, department worked for, and effective date.
16. Disability Application Status Report	Monthly	Staff	Retirement Administrator	Summary report of all pending disability applications.

Standard Staff Reports

Report Name	Frequency	Prepared By	Presented By	Description and Purpose of Report
17. Administrator’s Report	As required / Quarterly	Staff	Administrator	Updates the Board, as required on significant matters not reported in routine reports, or in other staff or committee reports. At least quarterly, updates the Board on the Administrator’s travel, training, and other expenses, key meetings, press/media communications, any items the Administrator has been asked to report back on regularly, and other items that may be of interest to the Board.
18. Board Counsel’s Report	As required	Board Counsel	Board Counsel	Updates the Board on significant legislative and legal developments, and on any ongoing litigation affecting VCERA.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

TRUSTEE COMMUNICATIONS POLICY

I. Background and Objectives

- 1) The Board recognizes that effective communication is an integral part of the Board's role. To carry out its role effectively, the Board must establish effective processes and mechanisms for communicating with senior management, the plan sponsor, plan members and external parties, and among Board members themselves.
- 2) The primary objectives of this policy are to:
 - a) Provide the Board, individual Board members, and senior management with guidelines for executing the communications function of the Board.
 - b) Encourage and facilitate open, accurate, timely, and effective communications with all interested parties.

II. Principles and Assumptions

- 3) Poorly executed or controlled communications by Board members may expose VCERA to significant legal or operational risks involving member services, staff and Board relations, and general public or media relations.
- 4) A communications policy should mitigate communications risk, while still enabling trustees to communicate freely and efficiently, subject to applicable laws.

III. Policy Guidelines

Communications Among Trustees

- 5) The Board shall carry out its activities in accordance with the spirit of open governance, including the provisions of the Brown Act, which include, but are not limited to:
 - a) Properly noticing and posting an agenda for Board and standing committee meetings, excluding the Personnel Committee (section 54954.2 of the Brown Act); and
 - b) Allowing public comment on agenda items before or during consideration by the Board (Section 54954.3 of the Brown Act); and
 - c) Properly describing all items to be considered in closed session in the notice or agenda for the meeting (Section 54954.5 of the Brown Act); and

*VCERA
Trustee Communications Policy*

- d) Not conducting, or participating in, a series of communications one at a time or in a group that in total constitutes a quorum of the Board or committee either directly or through intermediaries or electronic devices, for the purpose of developing a concurrence as to action to be taken (where prohibited by Section 54953 of the Brown Act); and
- e) Ensuring materials are properly made available to members of the public, upon request, without delay (Section 54957.5 of the Brown Act).
- 6) Trustees shall disclose any information they may have that is pertinent to the affairs of VCERA to the rest of the Board in a timely manner.
- 7) During meetings of the Board and committees, trustees shall communicate in a straightforward, constructive manner.

Trustee Communications With Plan Members

- 8) Trustees will refrain from providing explicit advice or education to plan members with respect to the technicalities of the plan provisions, where there is a risk that:
 - a) the advice or information conveyed may be inappropriate, inaccurate, or misunderstood by the member; and
 - b) the member may act on the advice or information conveyed to his or her detriment, thereby creating potential liability for VCERA.
- 9) In the event a plan member requests that a trustee provide explicit advice or education with respect to the technicalities of the plan provisions, the trustee is encouraged to assist the plan member by either:
 - a) Referring the plan member to the Retirement Administrator; or
 - b) Providing the plan member's contact information to the Retirement Administrator for follow-up.

Trustee Communications with VCERA Management

- 10) Trustees with concerns or questions concerning any aspect of VCERA operations shall direct them to the Retirement Administrator, who shall in turn direct staff as required in order to provide the trustee with a suitable response.
- 11) Requests for information that require significant expenditure of staff time or external resources, including those of County Counsel, shall:
 - a) Be consistent with the role and responsibilities of the Board;
 - b) Be requested at Board or committee meetings; and
 - c) Be directed to the Retirement Administrator.

VCERA
Trustee Communications Policy

- 12) The Retirement Administrator shall ensure that all information requested by individual trustees is made available to the entire Board. Trustees shall share any significant information pertinent to the affairs of VCERA with the Retirement Administrator in a timely manner. Similarly, the Retirement Administrator shall make every effort to ensure that all relevant and pertinent information is disclosed to all trustees in a timely manner.

Trustee Communications With Retained Service Providers

- 13) In conjunction with the Service Provider Policy, the Board may institute a “quiet period” when:
- a) The Board initiates a search process that may result in the appointment of a new service provider or in the expansion of its relationship with an existing service provider;
 - b) A current service provider is placed on an official “watch list” signifying that the service provider’s performance has fallen below expectations and warrants closer scrutiny; or
 - c) The Board deems it is in the best interest of VCERA to require that, for a limited period of time, communications between trustees and specified service providers be restricted to Board and committee meetings only.
- 14) The initiation of a quiet period will be recorded in the minutes of the Board meeting at which it occurred.
- 15) During quiet periods, trustees shall neither communicate with the specified service providers, except during Board or committee meetings, nor accept meals, travel, hotel, or other gifts from the specified service providers.
- 16) A quiet period will cease:
- a) when a service provider has been appointed by the Board or the search process is otherwise ended; or
 - b) when a service provider on an official “watch list,” which has had a quiet period implemented, is subsequently removed from the watch list; or
 - c) when the quiet period is ended by action of the Board; or
 - d) when otherwise determined by action of the Board.

VCERA
Trustee Communications Policy

Trustee Communications With External Parties

- 17) In general, when communicating with external parties, the following guidelines will apply:
- a) When communicating in their fiduciary capacities, trustees will ensure that all communications are consistent with their sole and exclusive fiduciary duty to represent the interests of all plan members;
 - b) Trustees will not communicate on behalf of the Board unless authorized by the Board to do so;
 - c) Trustees may voice their disagreement with decisions or policies of the Board, but shall do so in a respectful and professional manner; and
 - d) Trustees are expected to disclose when they are representing a personal position and clearly indicate if their position does not reflect the official position or policy of the Board.
- 18) The Retirement Administrator shall serve as official spokesperson for VCERA. The Retirement Administrator will, however, discuss with the Chair any public relations matters that are potentially sensitive or controversial to determine the most appropriate response and to determine whether the Retirement Administrator or the Chair should act as spokesperson on the matter.
- 19) If it would be inappropriate for the Retirement Administrator to serve as spokesperson on a particular matter (for example, if the issue pertains to the conduct of the Retirement Administrator), then the Chair shall serve as spokesperson.
- 20) Trustees are encouraged to direct all media enquiries to the Retirement Administrator for a response. Should trustees choose to respond to the enquiry themselves, they shall refrain from making unilateral commitments on behalf of the Board or VCERA and shall disclose when they are not representing an approved position of the Board or VCERA.
- 21) Trustees who wish to publish articles, letters or similar communication materials pertaining to VCERA and containing technical information concerning benefit provisions, will submit them in advance to the Retirement Administrator who will review them for technical accuracy. All such communications will contain a disclaimer indicating that the views expressed are those of the author and do not necessarily reflect the official position of the Board.

IV. Policy Review

- 22) The Board shall review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

VCERA
Trustee Communications Policy

V. Policy History

- 1) The Board last reviewed and approved this policy on June 17, 2013. This policy was adopted by the Board on June 2, 2003.



September 9, 2019

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: AUTHORIZATION TO ATTEND THE 2019 ABBOTT LP ADVISORY BOARD, ABBOTT ANNUAL MEETING, AND ILPA SUMMIT NOVEMBER 4 – 7, 2019 IN NEW YORK CITY

Dear Board Members:

Please authorize my attendance at Abbott's 2019 ASO Limited Partner Advisory Board meeting, Abbott's Annual Meeting, and the following ILPA Summit from November 4 - 7. Attached are copies of the invitations to Abbott's events, as well as the ILPA conference brochure.

VCERA will be reimbursed by Abbott for travel expenses related to my ASO Advisory Board meeting attendance and participation. The trip's net cost to VCERA for my attendance at the ILPA Summit is estimated at approximately \$600.

I will be pleased to respond to any questions you may have on this request.

RECOMMENDATION: APPROVAL OF CIO DAN GALLAGHER ATTENDANCE AT THE 2019 ABBOTT LP ADVISORY BOARD AND ANNUAL MEETINGS, AND SUBSEQUENT ILPA SUMMIT.

Sincerely,

Dan Gallagher
Chief Investment Officer

From: investorrelations@abbottcapital.com

Sent: Tuesday, August 20, 2019 2:14 PM

Subject: Abbott Secondary Opportunities, L.P. (ASO) Advisory Board Meeting | November 4, 2019

Dear ASO Advisory Board Members,

The 2019 ASO Advisory Board Meeting will be held at The Plaza Hotel from **3:30pm - 5:00pm on Monday, November 4th**, followed by the opening dinner and cocktail reception to the 2019 Abbott Client Conference and Annual Meetings. A formal agenda for the Advisory Board Meeting will be sent closer to the meeting date.

ASO Advisory Board Meeting

Date: Monday, November 4, 2019

Time: 3:30pm - 5:00pm

Location: The Plaza Hotel (Xavier Suite)
768 5th Avenue
New York, NY 10019

We have reserved a block of rooms at The Plaza Hotel for your stay. ***Please kindly reply to this email and include investorrelations@abbottcapital.com and indicate whether you plan to attend and the number of nights you will require accommodation.***


Please feel free to let us know if you have any questions. Thank you again for your continued support, and we look forward to seeing you all in November.

Thank you.



*The information transmitted is intended only for the entity to which it is addressed and may contain confidential material. Any use of this information by entities other than the intended recipient is prohibited. If you received this in error, please delete the material. Abbott does not guarantee that this email is virus-free and accepts no liability for any damages due to viruses. **Past performance is not indicative of future results. This material is not an offer or a solicitation to subscribe for any investment fund or other financial product or service.***

From: Abbott Capital Management <investorrelations@abbottcapital.com>
Sent: Monday, August 19, 2019 2:16 PM
To: Gallagher, Dan <Dan.Gallagher@ventura.org>
Subject: Abbott Capital 2019 Conference & Annual Meeting

		
<p>2019 Private Equity Conference <i>Abbott Capital Update & Annual Review</i> <i>of ACE, AP, ASB Funds, Secondaries & Co-Investments</i> New York, New York November 4-5, 2019</p>		
<p>The 2019 Private Equity Conference will begin with an opening reception the evening of Monday, November 4th, and will continue the following morning, Tuesday, November 5th, with presentations on the Abbott Funds, the state of the private equity and venture capital markets, as well as perspectives from three fund managers. A tentative agenda is as follows:</p>		
Monday, November 4th		
<p>The Sea Grill Rockefeller Center 19 W 49th Street New York, NY 10020</p>	<p>Opening Reception Cocktails, passed hors d'oeuvres, and small plates</p>	<p>6:00 pm – 9:00 pm</p>
Tuesday, November 5th		
<p>The Plaza 768 5th Avenue New York, NY 10019</p>	<p>Buffet Breakfast (Oak Room)</p> <p>Private Equity Conference (Edwardian Room)</p> <p style="margin-left: 40px;">Abbott Capital Update and Annual Review <i>of ACE, AP, ASB Funds, Secondaries and Co-Investments</i></p> <p style="margin-left: 40px;">Perspectives: Venture Capital and Growth Equity Paul Madera, General Partner, <i>Meritech Capital Partners</i></p> <p style="margin-left: 40px;">Small Buyouts Nate Good, Partner, <i>Prairie Capital</i></p> <p style="margin-left: 40px;">North American Private Equity David Lobel, Founder and Managing Partner, <i>Sentinel Capital Partners</i></p>	<p>7:30 am – 8:30 am</p> <p>8:30 am – 12:00 pm</p>
	<p>Buffet Lunch</p>	<p>12:00 pm – 1:30 pm</p>

If you would like to reserve a room at The Plaza at a rate of \$595 (plus applicable taxes) for a king room. We recommend that you register for your room as early as possible as availability is limited.

When

Monday, November 4, 2019 6:00 pm - Tuesday, November 5, 2019 1:30 pm

Where

The Plaza
768 5th Ave, New York, New York, 10019, USA

Dress Code

Business Casual

Registration Deadline

Friday, October 25, 2019

Please respond by clicking one of the buttons below



Having trouble with the link? Simply copy and paste the entire address listed below into your web browser:

<http://www.cvent.com/d/7Nb4nAa0PEq94nAu41YpBQ/d7qv/P1/5S>

If you no longer want to receive emails from Abbott Capital Management, LLC please click the link below.

[Opt-Out](#)



AN EXPERIENCE LIKE NO OTHER

The ILPA Summit is the private equity industry's premier networking event, bringing together top LPs and GPs from around the world for two unsurpassed days of private meetings and relationship-building opportunities.

NOVEMBER 5-7 | NEW YORK CITY



Why Attend the ILPA Summit?

Complimentary to our members, the ILPA Summit provides you the opportunity to:

Broaden and Strengthen Your GP Relationships

94% of LPs who attended previously made at least one new GP relationship during the ILPA Summit.

Discover Emerging Managers

Now in its fourth year, the Emerging Manager Showcase brings a curated pool of compelling first or second fund managers, selected by a committee of ILPA members.

Enjoy Exclusive LP-Only Opportunities

Our LP-Only day features a professional development seminar, unparalleled networking and our exclusive, members-only dinner at the New York Yacht club.

Optimize Your Efficiency

We know our members' time is precious so we've developed an event that makes outstanding use of your resources. Our proven meeting selection system, SummitMatch, generates optimal meeting schedules based on your preferences.

We focus on maximizing your ROI, which is why the ILPA Summit sells out every year.



200+
LPS REPRESENTING
OVER 100
ORGANIZATIONS

+



80
GP FIRMS

=



660+
PE PROFESSIONALS
REPRESENTING
OVER 20 COUNTRIES

+



1400+
MEETINGS

Summit Agenda

LP-ONLY DAY NOVEMBER 5		DAY 1 NOVEMBER 6		DAY 2 NOVEMBER 7	
7:00am	Breakfast and Registration	7:00-8:30am	Breakfast and Networking	7:00-8:15am	Breakfast and Networking
8:00am-12:00pm	Professional Development Seminar	8:30-9:30am	Opening Remarks and Keynote	8:30-9:20am	Seventh LP/GP Meeting
12:00-1:00pm	Lunch	9:50-10:40am	First LP/GP Meeting	9:35-10:25am	Eighth LP/GP Meeting
1:00-5:00pm	Emerging Manager Showcase	10:55-11:45am	Second LP/GP Meeting	10:25-10:45am	Networking Break
5:00-6:00pm	Showcase Cocktails	12:00-12:50pm	Third LP/GP Meeting	11:00-11:50am	Ninth LP/GP Meeting
6:30-9:30pm	Member-Only Dinner	1:00-2:15pm	Lunch-Open Networking	12:05-12:55pm	Tenth LP/GP Meeting
		2:30-3:20pm	Fourth LP/GP Meeting	1:00pm	Lunch
		3:20-3:45pm	Networking Break		
		3:45-4:35pm	Fifth LP/GP Meeting		
		4:50-5:40pm	Sixth LP/GP Meeting		
		5:45pm	Cocktail Reception		
					ILPA SUMMIT CONCLUDES FOLLOWING LUNCH



SummitMatch: A Unique Scheduling Algorithm

Over the past 15 years, ILPA has perfected our proprietary scheduling algorithm, ensuring optimal experiences and outstanding reviews year after year.

Meeting selections occur over a two-week period, during which time each organization logs into the meeting system to view a pre-filtered list of registered firms. These firms are selected based on the initial investment criteria provided by the lead registrant. Each organization ranks firms based on a scoring system using the following scale:

CATEGORY 1: IDEAL	CATEGORY 2: PREFERRED	CATEGORY 3: NEUTRAL	CATEGORY 4: PREFER NOT TO MEET WITH	CATEGORY 5: CANNOT MEET WITH
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LPs are also asked to share:

INVESTOR STATUS: EXISTING INVESTOR OR PROSPECTIVE INVESTOR	KNOWLEDGE LEVEL: FAMILIAR OR UNFAMILIAR
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Attendees are provided with the GP participant list in an Excel file (filterable by sector, fund size and geography) to assist in the ranking process.

GP organizations also rank LPs based on their desire to meet with them. During the optimization process, the SummitMatch algorithm computes the LP and GP selections, generating a score for each LP/GP combination. Meeting schedules are then populated based on this combined score, prioritizing the best scores to indicate mutual interest. The goal of the system is to fill both LPs' and GPs' meeting schedules with their top preferences.

KEY DATES:

SEP 20 Registration Closes	SEP 20-OCT 4 Meeting Selection/ GP Ranking	OCT 21 Final Schedules Released to LPs and GPs
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Summit Highlights

PROFESSIONAL DEVELOPMENT SEMINAR | NOV 5 | 8:00AM - 12:00PM

Unconscious Bias: The Impact on Growth, Investments and Performance

ILPA is pleased to bring to this year's ILPA Summit **Angela Peacock, CEO of PDT Global**, a renowned specialist in helping leaders in the PE industry and beyond drive inclusion in their organizations through an understanding of both the business case for it and the bias and unwritten rules that prevent it's success.

Together we will explore where unconscious bias comes from, where it shows up and home and in the workplace, and how it impacts decision making, relationships, and overall professional performance.

From your relationships with existing and prospective fund managers to your colleagues and peers, this session will impact your thinking at many levels.



EMERGING MANAGER SHOWCASE | NOV 5 | 1:00-5:00PM



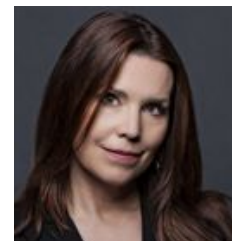
The Emerging Manager Showcase is your opportunity to meet with a select group of up and coming managers, raising their first and second funds and identified by our Emerging Manager Committee as being ones to watch. Don't miss your chance to meet with these exciting new managers before their funds become oversubscribed.

The showcase begins with lunch, followed by 30-minute group meetings with managers in private meeting spaces. In late September, LPs registered for the showcase will be invited to view participating emerging managers' profiles and sign up for timeslots in advance.

KEYNOTE: ANNIE DUKE, DECISION STRATEGIST AND AUTHOR | NOV 6 | 8:30-9:30AM

Thinking in Bets: Avoid Emotional Decision-Making & Embrace Uncertainty

Former World Series of Poker champion turned business consultant Annie Duke lives with uncertainty, and has found that the key to long-term success is to think in bets. In this talk, she examines how the interaction of many cognitive biases (including loss aversion and sunk-cost bias) drives our decision-making behavior. These tendencies can cause us to miss good opportunities and continue on when the odds are against us. By shifting your perspective and embracing uncertainty, you will start accurately assessing what you know and what you don't, improving your decision-making abilities in the office, in your career, and at home.



Conference Registration

How Does Registration Work?

LPs can attend as individuals or as a group. Login into your ILPA website member account and visit the Summit page to complete your registration.

Individual Registration

By registering as an individual, you are the sole person responsible for attending all meetings scheduled for your organization with GPs.

Group Registration

By registering as a group, you commit to one schedule of meetings with GPs that will be shared by your organization.

What is Included in Registration?

- 7-10 face-to-face meetings with a curated group of high-quality GPs from around the world
- The opportunity to meet with up-and-coming managers at the Emerging Manager Showcase
- Participation in all networking events and sessions
- Complimentary registration for the Professional Development Seminar on November 5 (Limited spaces available.)
- Invitation to the Members-Only Dinner at the New York Yacht Club
- Access to the full attendee list, including contact information, two weeks prior to the event
- Subsidized guest room rates at The Sheraton New York Times Square (\$299 USD/night for November 4, 5 & 6)

REGISTER NOW AT ILPA.ORG

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Please contact Jennifer Lis, Event Manager for additional information about the ILPA Summit:
jlis@ilpa.org | +1 416 941 9393 Ext. 2250



September 9, 2019

Board of Retirement
Ventura County Employees' Retirement Association
1190 S. Victoria Avenue, Suite 200
Ventura, CA 93003

**SUBJECT: AUTHORIZATION FOR COMMUNICATIONS OFFICER TO ATTEND THE NATIONAL
PENSION EDUCATION ASSOCIATION (NPEA) CONFERENCE ON OCTOBER 19-23, 2019
IN NAPLES, FL**

Dear Board Members:

Staff requests authorization for VCERA's Communications Officer to attend the NPEA Conference on October 19-23, 2019. The cost to attend is approximately \$2,500, including registration, transportation, lodging and other related expenses.

VCERA staff will be pleased to respond to any questions you may have on this matter at the September 9, 2019 board meeting.

Sincerely,

Linda Webb
Retirement Administrator



Saturday, October 19

- 3:30-4:30 pm **Pre-conference Session: Pension Administration System Implementation A to Z**
- 4:45-6:15 pm **Systems Roll Call: Latest News from NPEA Member Systems**
- 6:30-8:30 pm **Opening Reception**

Sunday, October 20

- 8 am-noon **Vendor Exhibits**
- 9 am-noon **InFRE Pre-conference Workshop: Fundamentals of Retirement Income Management, CRC 4**
Mike Wilson, Integrity Financial Planning
Lunch on your own
- 6-8 pm **Dinner (provided)**

Monday, October 21

- 8 am-4 pm **Vendor Exhibits**
- 7:30-8:30 am **Breakfast (provided)**
- 8:30-8:35 am **President's Welcome**
Travis Almond, South Dakota Retirement System
- 8:35-9:45 am **Keynote**
Half the World's on Acid
Chad Carden, The Carden Group
- 9:45-10:45 am **Pensionomics**
Dan Doonan, National Institute on Retirement Security

- 11 am-12:30 pm **Leadership Development, Part 1**
Diana Lowe, Social + Emotional Intelligence
- 12:30-1:30 pm **Lunch (provided)**
- 1:30-2:30 pm **Leadership Development, Part 2 – Group Exercise**
Diana Lowe, Social + Emotional Intelligence
- 2:45 – 5 pm **Concurrent Breakout Sessions**
- Retirement System Marketing Plan**
Lisa Scott, The Employees' Supplementary Retirement System of Fairfax County
- Money Smart**
Bobbie N. Gray, Federal Deposit Insurance Corporation
- Communicating the Value of Pensions and Public Service**
Jeff Pabst, Missouri Local Government Employees Retirement System
Dinner (on your own)

Tuesday, October 22

- 8 am-4 pm **Vendor Exhibits**
- 7:30-8:15 am **Breakfast (provided)**
- 8:30-8:45 am **Annual Business Meeting**
- 8:45-9:45 am **Retirement Security**
Joshua Gotbaum, Brookings Institution

- 10-11 am **National Pension Case Law Update**
Robert Klausner, Esq., Klausner, Kaufman, Jensen & Levinson, P.A.
- 11 am-noon **Federal Update on Retirement Issues**
Tom Lussier, LGV&A
- Noon-1 pm **Lunch (provided)**
- 1-2 pm **Aging with Dignity**
Paul Malley, Aging with Dignity
- 2:15-3:15 pm **Taking the Mystery out of Measurement**
Cindy Crescenzo, Crescenzo Communications
- 3:30-4:30 pm **Best Practices, Trends, and Great Tactics**
Steve Crescenzo, Crescenzo Communications
- 6-8 pm **Dinner (provided)**

Wednesday, October 23

Departure day. Safe travels!





September 9, 2019

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: PARAMETRIC ON-SITE DUE DILIGENCE REPORT

Dear Board Members:

VCERA Board Trustee Tracy Towner and CIO Dan Gallagher conducted an on-site due diligence visit at the Edina, Minneapolis office of Parametric on August 21, 2019.

Parametric
3600 Minnesota Drive, Suite 325
Minneapolis, Minnesota 55435

Parametric Personnel

We met with the following Parametric personnel: Managing Director Justin Henne; Portfolio Manager Alex Braun; Associate Portfolio Manager Joe Zeck; and, Chief Technology Officer Vladimir Gomelsky.

Organizational Review

We began our meeting at approximately 0900 hours with Justin, Alex, and Joe who described their backgrounds and roles within the organization.

Justin began with a firm overview of the genesis of the organization, starting off as The Clifton Group in 1972, through Clifton's acquisition by Parametric in 2012, and noted that Parametric has been majority owned by Eaton Vance since 2003. Parametric's Minneapolis Investment Center, formerly The Clifton Group, manages the overlay products. Currently staffed by more than 34 investment personnel, including 21 portfolio managers and 12 support personnel, they manage more than \$80 billion for more than 200 institutional investors. Parametric's broader organization has more than 100 investment professionals managing more than \$245 billion for more than 400 institutional client relationships and mutual funds.

Justin explained that Eaton Vance's ownership has provided additional resources, while still allowing Parametric to maintain independence and its unique company culture. He explained that the planned CIO transition from Jack Hansen to Tom Lee has been going very smoothly. Justin noted that approximately 13 California county public plans currently utilize Parametric's overlay program, and that Parametric's overlay business has seen steady, manageable growth

August 21, 2019 Parametric Due Diligence Visit report

Page 2 of 3

over time. He reported that Parametric's staffing growth has been measured, and more than sufficient to keep up with the increased number of clients, mandates, and assets under management.

The team reviewed Parametric's organizational structure, noting that the VCERA's overlay portfolio is managed out of the Minneapolis office, and identified Justin, Alex, and Joe as the day to day client facing members of the Parametric Investment and Overlay Strategies (PIOS) team managing the VCERA portfolio.

Key Parametric employees receive phantom equity and share in the company's profitability. He noted that there has always been, and continues to be, a recognition of the critical nature and importance of thoughtful personnel transition and succession planning.

Investment Mandates

Joe Zeck discussed the following four VCERA Board directed objectives:

1. Securitize fund level cash and cash equivalents
2. Securitize manager cash
3. Provide disciplined rebalancing
4. Securitize cash associated with manager transitions

Investment Strategies

Joe described VCERA's cash equitization and portfolio rebalancing strategies and techniques. He noted the cost savings realized in switching from Goldman Sachs to Morgan Stanley as the selected futures commission merchant on VCERA's account; and, the management of daily variation margin payments.

Joe discussed the cost and risk differences between synthetic and cash market exposure for the various asset classes. He gave examples of different types of futures contracts used, and methods of aggregating futures contracts to proxy different asset classes. He also reported the overlay's actual investment performance versus the benchmark returns, showing a 15- basis points outperformance since inception in 2008, net of transaction costs. The Parametric cash equitization program has earned VCERA \$52,870,117 since inception through 7/31/2019.

As part of the overlay, Parametric uses cash flow and futures as a means to reduce portfolio exposure imbalances. Cash inflows are directed towards increasing exposure in underweighted asset classes, and exposures are sold in overweight asset classes. The use of futures in equitization and rebalancing results in lower cost, lower portfolio volatility, and lower tracking error to the Board's asset allocation than solely on cash market investment and rebalancing strategies.

Investment Process

Joe and Alex provided a process overview of the overlay product, describing how account data is captured both from our custodian, and from relationships outside our custodial bank.

August 21, 2019 Parametric Due Diligence Visit report

Page 3 of 3

Information is uploaded into Parametric's IMS; daily tracking reports are generated and analyzed; required trades are determined by the portfolio management team; trades are executed through their trading platform or trading desk; trades are confirmed with the appropriate clearing firm on trade date; and, settlement information is sent to the custodian. IMS performs automated daily pre- and post- trade reviews, and assists in monitoring and verifying compliance with investment and regulatory guidelines. Parametric's accounting group reconciles transactions and holdings monthly, and finalizes and transmits to clients quarterly accounting statements.

Information Technology

We next met with Chief Technology Officer Vladimir Gomelsky (Vlad). Minneapolis uses IMS, built from scratch and designed and overseen by Vlad, to support all aspects of the Minneapolis office business operations. The system was put into place in October 2011, fully replacing the prior proprietary system. The system supports the following functionality:

Portfolio management; order management; accounting and reconciliation; client management; compliance; lending; mark-to-market valuation; collateral management; billing; market data; contract management; reporting; and data warehousing.

Vlad identified multiple, geographically diverse, redundant data centers which support work place recovery, such as natural disaster or fire; business continuity, such as workforce unavailability from illness, pandemic or weather; and disaster recovery against data center network, communications or server outages. Network security is provided by parent company Eaton Vance, and the internally developed, proprietary IMS meets or exceeds industry technical standards. VPN, multi-factor authentication, laptop encryption, and role based privileges, as well as rotating 3rd party annual cybersecurity assessments are some of the security measures in place.

We concluded our meeting at approximately 1300 hours and found no due diligence concerns.

Sincerely,



Tracy Towner, Board Member



Dan Gallagher, CIO



September 9, 2019

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: ADAMS STREET PARTNERS ON-SITE DUE DILIGENCE REPORT

Dear Board Members:

I conducted an on-site due diligence visit at the Chicago office of Adams Street Partners (ASP) on August 22, 2019. Following is my report.

Adams Street

One North Wacker Drive
Chicago, IL 60606

Adams Street Personnel

I met with the following ASP personnel: Managing Partner and Head of Investments Jeffrey Diehl; Partners Scott Hazen, Troy Barnett, Robin Murray, Craig Waslin, Bill Sacher, Alicia Pando; Principals Matt Autrey and Ed Vazquez; and Associate Olivia Cunningham.

Organizational Review

We began our meeting at approximately 0900 hours with Scott, Matt, and Olivia who described their backgrounds and roles within the organization.

Scott provided a firm overview, observing that ASP has continued to grow by adding top industry talent, complemented by developing junior talent within the firm to take on larger roles on the team over time. Scott explained that ASP retains top talent due to its culture and 100% employee ownership, and recent departures were due to retirement, leaving the industry entirely, or ASP's decision to part ways.

We also discussed investment performance, with a since 2010 inception net investment return of 13.2%. \$170 million has been paid in, \$70 million has been received back in distributions, and \$182 million value remains, representing 1.5x of total value to paid in capital. Investment returns are 450 basis points higher than the 8.7% Public Markets Equivalent (PME) benchmark.

Primaries

Matt described ASP's primary investments as diversified by vintage year, geography, sector, and a mixture of buyouts, venture, and other subclass funds. GP's are sought that work with

Adams Street August 22, 2019 Due Diligence Visit report
Page 2 of 3

companies that are undermanaged with superior growth potential. Opportunities are sourced mainly on ASPs industry reputation and the 'personal franchise' of each primary investment partner in the group, but also from cross-collaboration from directs, secondaries, co-investment and debt teams. ASP's current investment themes are around growth and disruption, with themes being reviewed 2x per year with review of input from GP relationships, and takeaways from advisory board seats. Matt noted that the buyout component of the annual programs has leverage levels several turns lower than the market average.

Secondaries

We next met with Troy Barnett, a partner on ASP's secondary investments team. Troy said that the secondaries market is expected to continue to grow to \$90 billion this year, increasing choice and selection which helps ASP control GP quality. ASP focuses on smaller deal sizes in single interest investments, GP led transactions, and tails (end of life) funds, while generally avoiding portfolio trades. Troy spoke about ASP's internal software systems and data management system ASPIRE which provides an information edge for tracking company level data.

Growth Equity

Robin Murray joined the meeting via teleconference from Silicon Valley. His group acts as the lead GP in setting terms and leading financing rounds, typically in growth or expansion stage companies. This strategy represents approximately 10% of the Annual Fund commitments. ASP has been investing in this strategy since the early 1970s, focuses on scaling businesses, and scaling as the primary exit.

Co-Investments

Craig Weslin described ASP's co-investment program which are direct investment made alongside leading GPs in cashflow positive businesses. This strategy offers the benefits of lower fees than investing in a fund directly and is quicker to get the money invested. Because GPs don't want to sour their multi-strategy relationships with ASP, ASP maintains high quality deal flow from good sponsors. We discussed ASP's view of unsponsored deals, personnel changes in London, Brexit implications and related implications towards future European investment.

ASP has earned 21.1% net returns on its co-investment funds since inception in 1992. Craig discussed VCERA's 2018 ASP investment in Co-Investment Fund IV. He noted that Fund IV has \$522 million in commitments and is expected to be invested over 3 – 4 years. He noted that Fund IV is 23% drawn, there is high volume and quality deal flow, and that ASP invests in fewer than 10% of the deal reviewed.

Private Credit

Bill Sacher, formerly a partner at Oaktree Capital Management, explained that investments are primarily in senior secured debt of private equity backed middle market companies. ASP selects approximately 5% of the deals it reviews. He noted that buyout GPs like to work with the ASP private credit team because there is no conflicting buyout sponsor team on the ASP platform. ASP sees a compelling opportunity within the private credit strategy for rescue financing for

Adams Street August 22, 2019 Due Diligence Visit report
Page 3 of 3

good, stable businesses with unstable balance sheets. Bill believes that ASP is well positioned to raise capital now and wait for the market to turn, with fees only on invested capital.

Technology and Security

I next met with Alicia Pando and Ed Vazquez who spoke about their data centers for both production and data recovery. They noted that all file systems and emails are continuously synchronized to their data recovery systems in real time. Their business continuity plan is reviewed and updated at least annually; systems data recovery is tested every few months, and a full test is conducted with staff at a data recovery site once a year. Multiple layers of cyber security are used, with annual penetration testing, and monitoring with 3rd party outside vendors.

Managing partner and head of investments Jeffrey Diehl concluded our meeting by committing to continue to maintain a superior culture internally to attract and retain the right people, alignment to their mission of growing value by earning strong risk-adjusted returns while maintain transparent relationships and high quality service with its investors in general, and to VCERA in particular.

We concluded our meeting at approximately 1300 hours and found no due diligence concerns.

Sincerely,



Dan Gallagher, CIO

THE 2019 PENSION BRIDGE ALTERNATIVES CONFERENCE

October 28th & 29th | The Beverly Wilshire, a Four Seasons Hotel, Beverly Hills



INFO@PENSIONBRIDGE.COM · FLORIDA OFFICE: (561) 455-2729 · NEW YORK OFFICE: (516) 818-7989

THE 2019 PENSION BRIDGE ALTERNATIVES CONFERENCE

October 28th & 29th | The Beverly Wilshire, a Four Seasons Hotel, Beverly Hills

With pure pride and joy, The Pension Bridge is proud to bring back the often-requested Pension Bridge Alternatives Conference. After a long hiatus from running this event, the much-anticipated Pension Bridge Alternatives Conference is back and stronger than ever! We'll again maintain the industry's only controlled attendance structure with the best industry ratio. There will be **approximately 150 Pension Funds, Corporate Funds, Endowments, Foundations, Union Funds, Taft-Hartley Funds, Family Offices, Sovereign Wealth Funds and Consultants in attendance. The investment manager firms will be limited to only 75.** This 2:1 ratio, combined with participation from the most influential industry figures, creates a more enjoyable environment for all.

With the longest bull market in U.S. history at or near an end, we'll discover how to best diversify risk and generate higher returns in various alternative asset classes to balance out the lower expected returns in traditional asset classes. With volatility returning and likely here to stay, we'll find out which alternative strategies make the most sense and provide diversification as well as downside protection when executed properly. We'll discover the methodology used to combine various alternative strategies to generate both alpha and uncorrelated returns. We'll see how a sound portfolio construction process in the Alts space can critical to avoiding the pitfalls of behavioral biases which will become apparent as this extended cycle turns.

WE'LL HEAR FROM THE EXPERTS

ABOUT HOW TO AVOID MISTAKES AND GENERATE ALPHA. WE'LL TACKLE THE FOLLOWING TOPICS IN THIS EXTREMELY CHALLENGING TIME TO INVEST:

- ✓ Multi-Asset Strategies Approach help you Manage Drawdown Risk
- ✓ How Alternative Risk Premia can show Little or No Correlation to a 60/40 or Hedge Fund Portfolio
- ✓ How can Options Improve your Overall Risk/Return Profile?
- ✓ Are the Struggles of Long/Short Here to Stay?
- ✓ Should you be Investing in Hedge Funds or Multi-Asset Strategy Funds for the Next Downturn?
- ✓ How will Quant Strategies Perform in a Bear Market?
- ✓ Decreasing the Depth of Portfolio Drawdowns with Global Macro and Managed Futures
- ✓ Understanding what Works and what Doesn't Work in Liquid Alts
- ✓ Are we in a Direct Lending Bubble? How will Private Credit Perform in a Stressed Market?

- ✓ Risks and Sectors to Avoid in the Middle Market Direct Lending Space
- ✓ Distressed/Special Sits - Which Sectors, Strategies and Geographies will create the Best Opportunities?
- ✓ How to Manage Risk in Private Equity and Avoid getting involved in Expensive Deals
- ✓ How to De-Risk your Real Estate Portfolio
- ✓ Finding the Most Attractive Sectors and Geographies in Infrastructure
- ✓ Is Now the Time to Invest in Energy Given the Current Risk and Uncertainty?
- ✓ Slowdown in China, Lack of Inflation and Long Term Supercycles Impact on Commodity Prices
- ✓ Top Industry Consultants Discuss Client and Investment Challenges

In addition to the listed themes above, we will be covering many more challenging issues that are crucial to the investment decision making process in the Alternatives space. We will learn from the best about how to adapt in our industry and protect our portfolios for the upcoming downturn.

THE PENSION BRIDGE ALTERNATIVES CONFERENCE HAS TWO GOALS IN MIND:

First is to provide the **highest level of education** with the top speaker faculty. This highly regarded group will bring forth influential insights and concepts. The second goal is to help **build relationships** between the pension plans, consultants and investment managers. We have provided the best possible environment for this event which is designed to be conducive for networking. We will cap off the event with a fun and enjoyable networking outing necessary for maintaining relationships and connecting with your peers and prospective business contacts.

We look forward to a strong event and a very productive one from both an educational and relationship perspective. We have structured this conference in a manner that will be most productive and beneficial for you. We hope that you will join us to be amongst your industry peers to learn about the most up-to-date insights, investment strategies and trends within the Alternatives space.

MONDAY, OCTOBER 28TH

The Beverly Wilshire, a Four Seasons Hotel, Beverly Hills

1:45 PM - REGISTRATION, MEET AND GREET

2:30 PM - KEYNOTE SPEAKER

“Private Debt - Opportunities in Corporate Direct Lending”

Speaker:

Stephen L. Nesbitt, Chief Executive Officer, Chief Investment Officer, **Cliffwater**

3:00 PM - MULTI-ASSET INVESTING

- What are the Differences Between Multi-Asset Funds and Hedge Funds? What are the Advantages and Disadvantages of Choosing Multi-Asset Funds over Hedge Funds?
- How can a Multi-Asset Approach help you Manage Drawdown Risk? What Strategies should be used based on Experience from the Financial Crisis?
- Do you believe Downside Protection with Multi-Asset Strategies are as Effective as Managers Claim?
- How do you Devise Effective Asset Allocation Strategies? What Stress Scenarios do you Consider?
- Do Most Multi-Asset Portfolios need to be Restructured to Thrive in Today's Environment?
- How can Factor Analysis be used to Mitigate Risk and Improve Multi-Asset Portfolios?
- How Worrisome is the Reliance on Stable Correlation Relationships with No Certainty those Relationships will Persist?
- Is Excessive Leverage a Concern?
- How do you go about the Right Balance of Public and Private Equity when building the best Multi-Asset Portfolio for you?
- How have Returns been and how do you Measure Performance?
- How do Multi-Asset Managers Differentiate Themselves in this Crowded Field?

Moderator:

Alexander Leiken, Manager Research Consultant, **RVK**

Speakers:

Wylie Tollette, CFA, CPA, Executive Vice President, Head of Client Investment Solutions, Multi-Asset Solutions, **Franklin Templeton**

Danielle Singer, CFA, Portfolio Manager, Multi Asset, **Invesco**

Brian Payne, Senior Hedge Fund Analyst, **Teachers' Retirement System of Illinois**

Samantha Foster, Managing Director, **University of Southern California, (USC)**

3:45 PM - ALTERNATIVE RISK PREMIA

- Understanding Alternative Risk Premia – how does it Differ from Smart Beta? From Alpha?
- Risk Premia to Choose From – Momentum, Value, Carry, Other
- How can a Multiple Market Neutral Alternative Risk Premia Combined in a Single Portfolio show Low or No Correlation to a 60/40 or Hedge Fund Portfolio?
- Explain the Potential Benefits – Diversification, Liquid, Transparent, Efficient, Systematic Exposure
- Lower Fees – what are the Typical Fees Investors can Expect?
- What are the Different Ways you can Use and Implement Alternative Risk Premia?
- What are the Biggest Risks?
- Do you Worry about the Fallout if Correlations Change over Time?
- How should Investors determine which Alternative Risk Premia Strategies Best Meet their Objectives?
- How should you Approach Manager Selection?

Moderator:

James Walsh, Head of Portfolio Group, **Albourne America**

Speakers:

Chris Walvoord, Partner, Global Head of Hedge Fund Research, **Aon Hewitt Investment Consulting**

Dr. Lars Jaeger, Head of Alternative Risk Premia, **GAM USA**

Michael C. Ho, PhD, Global Head of Multi-Asset and Alternatives, **Janus Henderson Investors**

Maarten L. Nederlof, Founding Partner, Chief Executive Officer & Chief Investment Officer, **Risk Premium Investments (RPI)**

4:25 PM - CONSULTANT ROUNDTABLE

(A) CLIENT CHALLENGES

- How has the Increased Blurred Lines Between Asset Classes affected Portfolio Construction? Do you see the need to work more with CIOs rather than the Heads of Asset Classes?
- With the Longer Lock-Up Periods from Alternative Investments, have you helped Clients examine their Liquidity Profile that may Evolve under Different Economic Scenarios?
- Do you feel Investment Committees have the Investment Expertise and Time to handle today's Complex Landscape? If not, what would you suggest to Overcome the Knowledge Gap?
- How can you Remain at the Forefront in terms of what Solutions you can Offer to your Clients to Meet their Needs? How Involved is your In-House Research Team?
- Do you take a Role in Ensuring that Clients' Boards, Staffs and their Investment Managers are Diverse? If so, how do you go about Inclusion?
- With Large Distributions over the last few years and Investors often Shut Out of Oversubscribed Top Tier Private Equity Funds, have you found it Difficult to Maintain or Expand your Client's Allocation?

(B) INVESTMENT CHALLENGES

- Aside from Lower Fees, what has been the Impact of Passive Management or Index Fund Investing on the Industry? Do you see any Unintended Consequences?
- Do you believe Direct Lending is a Bubble and if so, what does it mean for how would you Invest When it Pops?
- What is the Most Challenging Aspect of presenting the right Hedge Fund Investment for your Client?
- Do you believe ESG will Add Value to the Bottom Line? Do we have Proof and is this an Obstacle for Full Implementation with your Clients?
- Do you believe Industry Specialized Firms will Outperform Generalist Firms going forward? If so, why?
- What compelling Non-Correlated Strategies would you Recommend?
- What should Investors do to Protect their Portfolio for the Next Recession?
- What Changes you'd like to see the Institutional Investing Community Make in the Future?

Moderator:

Alexander Browning, Senior Vice President, **Callan**

Speakers:

Stephen Cummings, CFA, Global Investments Officer, Head of North America Investment Consulting, **Aon Hewitt Investment Consulting**

Jim Voytko, President, Director of Research, Senior Consultant, **RVK**

Faraz Shooshani, Managing Director, Senior Private Markets Consultant, **Verus**

Andrew Junkin, CFA, CAIA, President, **Wilshire Consulting**

5:05 PM - COCKTAIL RECEPTION

Sponsored by:



6:20 PM - COCKTAIL RECEPTION CONCLUDES

TUESDAY, OCTOBER 29TH

The Beverly Wilshire, a Four Seasons Hotel, Beverly Hills

7:00 AM - BREAKFAST

Sponsored by:

CIFC

**Asset
Management**

8:00 AM - MACROECONOMIC VIEW

- How much has the Fed Balance Sheet Unwind Impacted Equities and the Dollar?
- What are the Long-Term Implications of the Tax Cuts Adding to the Deficit?
- Would you say we have an Everything Bubble or is it Isolated?
- Corporate Debt Growth for Financial Engineering
- High Yield Defaults Outlook and Risks
- Algos and Passive Investment as a Market Risk
- What are your Expectations for Inflation or Deflation?
- Where are the Most Unfavorable Demographics Globally?
- Which Country's High Debt and Risks pose the Biggest Threat in Europe? Does that put the EU and Euro at Risk?
- China – Tariffs, Slower Growth, Debt Levels, Leverage and Real Estate Bubble
- Japan's Demographics and Debt – what might be the Far-Reaching Effects?
- Which are the Shakier Emerging Market Countries that have High Debt that can be Hurt by a Strong Dollar?
- How do you think about Derivatives Risk?
- What are your Expectations for Equities and Bonds?
- Where have you seen the Most Speculative Excess or Froth in the Markets?
- What is the Single Largest Risk Factor or your Expectations for the Next Black Swan?
- What are the Most Appealing Investments for this Low Return Environment?

Moderator:

Anthony M. Novara, CFA, Research Director – Global Hedge Fund Strategies & Capital Markets, **DiMeo Schneider & Associates**

Speakers:

David M. Lebovitz, Executive Director, Global Market Strategist, **J.P. Morgan Asset Management**

Nathan Sheets, PhD, Chief Economist and Head of Global Macroeconomic Research, **PGIM Fixed Income**

Tony Cousins, CEO/CIO, **Pyrford International**

8:45 AM - CURRENT AND FUTURE STATE OF THE HEDGE FUND INDUSTRY

- Would you Invest in Hedge Funds Over Multi-Asset Strategy Funds for the Next Downturn and Why? Which Strategies will have the Best Performance? Any Strategies to Avoid?
- Which Non/Low Correlated Strategies are Most Attractive?
- Are the Struggles of Long-Short Equity here to Stay? What has been the Root of the Struggle for this Strategy and will that Change or be a Mainstay?
- How do you go about making your Approach and Strategy More Flexible?
- With Previous Crowded Trades such as Short Volatility Eventually Backfiring, what Performance Chasing Trade should be Avoided Today?
- What does the Future Hold for the Fund of Funds Space? How has it Changed in Recent Years? Where will Fees be? What will it take to Stay Competitive?
- How do Emerging Managers Differentiate Themselves in the quest for Institutional Capital?
- Any Recent Trends you've seen for Pension Plans as far as Fees, Transparency, Customization, Increased Partnership, etc.? Will the 1 or 30 Model developed by Albourne and TRS Texas Catch On?

Disability Meeting Agenda - VIII. INFORMATIONAL

- As an Investor, do you Negotiate the Frequency of Performance Fee Payments (Fee Crystallization), with your Managers so that it Doesn't Lead to Hidden and Higher Costs?
- What is the Role of Separate Managed Accounts? What are the Benefits? Are they Better than Commingled Funds?
- Do you see any Trends Developing in regards to the way we Evaluate Liquidity Provisions for Hedge Funds?
- Importance of Operations Due Diligence. Any recent Developments? How often should Operations be Reviewed?
- If there was a Hedge Fund Strategy you would Invest in over the next Few Years, which one would it be and why?

Moderator:

Jim Vos, Chief Executive Officer, **Aksia**

Speakers:

Neal Wilson, Co-Founder and Chief Operating Officer, **EJF Capital**

Panayiotis Lambropoulos, CFA, CAIA, FRM, Portfolio Manager - Hedge Funds, **Employees Retirement System of Texas**

David E. Francl, Managing Director, Absolute Return, **San Francisco Employees' Retirement System, (SFERS)**

Derek Drummond, CAIA, Portfolio Manager - Funds Alpha, **State of Wisconsin Investment Board, (SWIB)**

9:30 AM - QUANTITATIVE HEDGE FUNDS

- Does Machine Learning have the Ability to Identify and Forecast Market Cycles?
- How will many Quantitative Strategies Perform in a Bear Market given that they were created during a Bull Market?
- Any Conclusions as to why Most Previously Accurate Historical Stock Market Tendencies Backfired for Quants in 2018? Might this continue given that most have Access to the Same Information?
- How does your Quant Hedge Fund implement the ability to Generate Alpha through Big Data and Machine Learning?
- What Quant Strategies and Characteristics are Attracting Institutional Capital Today?
- Where do you Allocate most of your Research Resources?
- What are Multi-Dimensional Data Sets and why are they Valuable?
- How has your Risk Analysis, Risk Management and Modeling Evolved?
- What are the Advances in Trading Technology and Big Data Innovations that Improve Trading Performance?
- Are Dynamic Factor-Timing Approaches still in the Early Stages and do you Forecast this to be a Growth Area for the Quantitative Equity Field?
- With Shifts in Cross-Asset Correlations Impacting Overall Portfolio Risk, how should this Impact an Investor's Approach to Risk Analytics?
- Are Investors happy with Previous Allocations to Quant-Based Strategies?
- Manager Selection for Quantitative Strategies - what are the Key Characteristics and Traits you should be looking for?

Moderator:

Joseph Marenda, Managing Director, **Cambridge Associates**

Speakers:

Norman Kilarjian, Partner, Head of Macro and Quant Strategies, **Aksia**

Jesse Barnes, Managing Partner, Portfolio Manager, **HighVista Strategies**

10:00 AM - REFRESHMENT BREAK

Sponsored by:



10:30 AM - GLOBAL MACRO AND MANAGED FUTURES HEDGE FUNDS

- Global Macro's place in the Hedge Fund Industry - what are the key Differences from other Hedge Fund Strategies?
- Attributes - Diversification, Uncorrelated, Liquid, Transparent and Regulated
- Volatility is usually Perceived as Risk within Portfolios - is this the same within Global Macro and Managed Futures?
- Discretionary vs. Systematic - where is the Money Flowing and which Approach do you Favor?
- Performance during Periods of Market Stress or Crisis Events
- How much can Global Macro Decrease the Depth of Portfolio Drawdowns and Volatility? Managed Futures?
- Historical Performance of Managed Futures
- How do you Implement an Allocation to Managed Futures?
- How do you Manage Risk and Volatility?
- What Questions should an Investor ask a Prospective Manager?
- Size of the CTA in terms of Assets Under Management - any considerations to factor in?
- Is the Proliferation of Managed Futures as a Risk Premia going to Change the Landscape?
- What are the Biggest Global Macro Themes you'll focus on in the Coming Years?

Moderator:

Keith Seibert, Managing Director, Hedge Funds & Public Markets, **C.M. Capital Advisors**

Speakers:

Ernest Jaffarian, Founder, Chief Executive Officer and Co-CIO, **Efficient Capital Management**

Jason Bonanca, Partner, Portfolio Manager, **MKP Capital Management**

Brad Gilbert, CFA, CAIA, Director of Hedge Funds, **Teacher Retirement System of Texas**

11:05 AM - CHANGING THE LANDSCAPE THROUGH LIQUID ALTS - 40 ACT MUTUAL FUNDS, ETFs AND UCITS

- Liquid Hedge Fund Products and Hedge Fund Replication - what are the Benefits aside from Lower Fees? What are the Limitations?
- How has their Performance been relative to Actual Hedge Funds?
- Have Alternative Mutual Funds as a whole provided Meaningful Diversification Benefits in Recent Years?
- Based on the Previous Downturn, are you Expecting Lower Drawdowns?
- For Top-Down or Factor Replication for Hedge Funds - Where Does it Work Best? Where Doesn't it Work so Well?
- For Bottom-Up Replication or Alternative Risk Premia - Where Does it Work Best? Where Doesn't it Work so Well?
- What are the Hidden Risks of Smart Beta?
- What is your Best Advice when Allocating to Smart Beta?
- What are the Best Ways to use ETFs and Funds in Portfolio Construction for Smaller Investors?
- Any Emerging Trends you've seen?

Moderator:

Reino Ecklord, CFA, CAIA, Research Consultant, Hedge Funds, **NEPC**

Speakers:

Andrew D. Beer, Founder, Managing Member, **Dynamic Beta Investments**

Bill DeRoche, CFA, Co-Founder, Chief Investment Officer, Portfolio Manager, **FFCM**

Roberto M. Croce, PhD, Managing Director, Senior Portfolio Manager, **Mellon**

11:35 AM - CREDIT

- Current State of the Credit Market
- What will be the Catalyst that will cause Credit Spreads to Widen and Defaults to Rise?
- Do you see Investors being more willing to Trade Liquidity for Yield and should that be of Concern?
- Have Excess Returns been Generated by Adding Risk to the Portfolio?
- What Subsectors of Credit are Most Attractive given the Stretched Valuations? Any Areas you are Avoiding?
- Is Direct Lending in a Bubble and how would you Position for that? What Speculative Excesses or Over-Exuberance have you seen?
- What is the LP Reaction to the Weakest Lending Protections on record for a Lender's Ability to Recoup Capital? When the Downturn comes how will Lenders get Burned?

Disability Meeting Agenda - VIII. INFORMATIONAL

- How will Private Credit Perform in a Stressed Market?
- What Sub-Sectors are you Favoring and Avoiding in the Middle Market Direct Lending Space?
- What Trend are you Expecting with Sponsored vs. Non-Sponsored with Crowding in the Sponsored Space? What do you see as the Benefits/Risks?
- How do you Assess the New Credit Players in this Space when Selecting a Credit Manager?
- Any Specialty or Non-Correlated Opportunities that are Appealing such as Venture Debt, Life Settlements or Litigation Finance? How is the Risk/Return?
- How is the Opportunity Set in European Private Credit? Where is the Best Value? Areas to Avoid?
- Opportunities and Risks for Asia?
- Outlook and Considerations for Structured - Are CLOs Safer than Pre-Crisis and Well-Positioned for a Rising Interest Rate Environment? If so why don't More Fixed Income Strategies Include Higher Allocations to CLOs?
- Can Securitized Credit Weather Market Turbulence? How has it Performed During Previous Credit Events? Is there a Lower Correlation to Broader Fixed Income Sectors?
- How do you View the Mezz Space given the Maturing Cycle?
- How should Investors think about Fund Level Leverage? Is there an Optimal Leverage Point for Various Credit Strategies Across the Spectrum?
- How do we Benchmark Performance?

Moderator:

Thomas A. Shanklin, Managing Director, Head of Private Debt, **Nationwide Mutual Insurance Company**

Speakers:

Gretchen Bergstresser, Partner, Global Head of Performing Credit and Senior Portfolio Manager, **CVC Credit Partners**

Drew McKnight, Managing Partner, Fortress Credit, **Fortress Capital Formation**

Jeff Levin, Head of Direct Lending, President & CEO of Morgan Stanley BDC, **Morgan Stanley Investment Management**

Neil N. Sheth, Partner, Director of Alternative Assets Research, **NEPC**

12:20 PM - LUNCH

Sponsored by:



1:20 PM - DISTRESSED

- Current Environment - Interest Rates, Fed Balance Sheet Unwind, Catalysts for Next Distressed Cycle and Expectations for Default Rates going forward
- What is Most Worrisome in Distressed Markets Today Versus a Few Years Ago?
- Where do you see the Largest Demand from Clients? What are they Most Interested In?
- Which Sectors, Strategies and Geographies will create the Best Opportunities? Any Areas that should be Avoided?
- Will the Froth in Direct Lending provide a Distressed Opportunity?
- What Distressed Opportunities are we seeing the Energy Sector?
- What's the Potential Impact of the Debt Piled up by Corporations for their Share Buybacks?
- Will the Prevalent Covenant-Lite Deals create Problems during the Next Cycle?
- What are the Opportunities and Risks in Europe? Any Countries, Sectors or Types of Deals that Stand Out?
- Do you see Opportunities in Asia or Elsewhere Globally?
- Has the Regulatory Environment Changed the Opportunity Set? How has it Impacted your Firm?
- How do Investors go about Choosing the Right Distressed Strategy, Size, Investment Style and Approach?
- How will the Different Implementation Approaches affect Expected Returns? Control vs. Non-Control? Private vs. Public?
- When taking Operating Control of a Company, what Problems/Issues can Arise? What's the Upside of Getting it Right?
- Distressed Debt Vehicles in Hedge Fund Format vs. Private Equity Drawdown Structures - what are the Pros and Cons of Each?
- What Skill Sets/Characteristics should Pension Plans look for in a Distressed Manager?

Moderator:

Reginald D. Tucker, Managing Director – Investments, **Orange County Employees Retirement System (OCERS)**

Speakers:

Bryan High, Managing Director, Co-Portfolio Manager for Global Special Situations Strategy, **Barings**
Amit Thanki, CAIA, Investment Officer, **San Bernardino County Employees' Retirement Association, (SBCERA)**
Benjamin Fanger, Managing Partner, **ShoreVest Partners**

1:55 PM - PRIVATE EQUITY

- Given the Macro Environment, what if anything are you Doing Differently? Are you Preparing for the next Global Financial Crisis?
- How are you Managing Risk? How can Pension Plans Avoid getting involved in Expensive Deals? How are you Approaching New Investments or Guarding Against your Existing Portfolio?
- Where are your Most Optimistic Returns Going Forward as far as Sector, Geography or Niche Strategy? What's your Biggest Worry or Sectors to Avoid?
- Which Strategies might Perform Well Independent of the Economy? Any Non-Correlation Strategies that you have Allocated to?
- Does the Use of Subscription Lines Concern you with a Rise in Interest Rates and/or a Down Trending Market? Will we accomplish Improved Transparency to Look Past this Fund-Level Financial Engineering? Any Updates from ILPA on Use of these Facilities?
- Should Secondaries be a Core Holding? What should Investors expect in terms of Returns for Diversified Secondaries Funds compared with a Diversified PE Portfolio?
- What are your Views on GP Led-Secondaries?
- Could the Co-Investment Boom Come Back to Bite? What is Highest on the Risk Curve that could Go Wrong?
- For Co-Investment Deals that Underperform, what are the Reasons Why?
- Current State of Venture Capital – what are the Biggest Challenges or Headwinds Facing Venture Today?
- Which Technological Disruption will directly affect Private Equity and Create the Best Opportunities?
- What are the Reasons why we've seen Outperformance of First Time Funds? Any Caution for First Time Funds during the Upcoming Downturn?
- Are there any Less Desirable or Favorable Investments as a Result of Demographic Trends or Population Aging?
- How are you thinking about Gender Diversity at the Manager Level? Could it become a Deal-Breaker in the Future without seeing Meaningful Efforts by GPs for Diversity?
- Have you seen Progress with Cyber-Risk Management for PE Firms and their Portfolio Companies? Will Investors Demand to have a Policy in place?
- What are the Most Attractive Sectors and Opportunities you're seeing Europe?
- Where do you see the LP/GP Relationship in the Future when it comes to Separately Managed Accounts, Strategic Partnerships, Co-Investments, LPs Concentrating Portfolios, etc.?

Moderator:

Jose Fernandez, Partner, Co-Chief Operating Officer, **StepStone Group**

Speakers:

Jonathan D. Roth, President, Managing Director, **Abbott Capital Management**
Andrew Bernstein, Senior Managing Director, Head of Private Equity, **Capital Dynamics**
Didier Acevedo, Investment Officer, **Los Angeles County Employees Retirement Association, (LACERA)**
Todd Miller, Managing Director, Private Equity Americas, **Partners Group**

2:40 PM - REFRESHMENT BREAK

Sponsored by:

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3:05 PM - REAL ESTATE

- Are you Expecting a Drop in Pricing and Lower Returns? What are your Returns Expectations for the next 5-10 Years?
- Where do you See the Most Risk? How are you De-Risking?
- Are you Slowing Down, Maintaining or Increasing your Pace of Investment?
- Where are the Most Crowded Trades? Are there any Less Crowded Trades?
- What are your Return Expectations for Core?

- Within Non-Core, what Risks are Investors Willing to Take?
- What is the Biggest Threat to Commercial in the next few years for this Fully Priced Market?
- Are you Making Pivots or Tilts to Take Advantage of Macro or Socio/Demographic Trends?
- What are the Best Investment Opportunities that will be created by the Aging Population?
- What are you seeing in the Market Today with Respect to Volume of Transactions and Pricing?
- Thoughts on the Bridge Financing Opportunity for Maturing Commercial Real Estate?
- What do you see as the Advantages and Disadvantages of REITS in the Current Environment?
- What Real Estate Technology Trends are you Watching Most Closely?
- What's happening with Leverage? LP Preferences for Use of Leverage?
- Any Niche Property Types that you Like?
- Asia and European Real Estate Outlook - Opportunities and Investment Trends
- With the Privatization of Fannie Mae and Freddie Mac a Possibility, what would be the Effect on Real Estate Portfolios?
- Will Co-Investments become more Common?
- Current State of the Real Estate Secondary Market
- Thoughts on Programmatic Joint Ventures?
- Are we still seeing a Decline in Closed-Ended Funds? If so, why and will it Continue?
- Larger vs. Smaller Fund Size - which ones will Outperform going forward?
- What Strategies do you see as the Biggest Risks and the Biggest Rewards/Relative Value for the Future?

Moderator:

David Glickman, Executive Vice President, **Meketa Investment Group**

Speakers:

Stanley L. Iezman, Chairman, Chief Executive Officer, Chief Investment Officer, **American Realty Advisors**

Brian Kingston, Managing Partner, CEO Real Estate, **Brookfield Asset Management**

John F. Freihammer, CAIA, Portfolio Manager, **Chicago Teachers' Pension Fund**

Brian Finerty, Chief Investment Officer, **Equity International Management**

3:50 PM - INFRASTRUCTURE

- State of the Infrastructure Market
- What have been the Effects of the Low Interest Rate Environment on Infrastructure and how might that Affect Returns and Leverage Going Forward?
- How has Performance been and what are the Recent Return Expectations?
- With Too Much Capital Chasing Too Few Deals, could there be More Return Potential in Smaller Projects?
- Which Sectors are Most Attractive?
- Which Geographies are Most Appealing? Developed or Emerging Economies?
- Approach - Greenfield vs. Brownfield?
- Do you find Infrastructure Debt Attractive? Will it deliver for Investors Searching for Yield?
- What are the Biggest Challenges/Risks associated with Infrastructure today?
- Do you believe Credit Risk might be Under-Appreciated?
- Opportunities in Public-Private Partnerships?
- How have GPs Adopted ESG Principals?
- What are the Most Attractive Investments within Renewables?
- Listed vs. Unlisted - which do you Favor in a Volatile Market for Downside Protection? Do Rising Interest Rates Favor Either?
- Any Advantages or Limitations for Co-Investments? Separate Accounts?
- What are the Advantages of Open-Ended Funds over Closed-Ended Funds? Will we Continue to see a Surge in Open-Ended Funds in the Coming Years?
- What are the Major Technological Trends that will Shape Infrastructure Investing in the Coming Years?

Moderator:

Gabrielle Zadra, Senior Managing Director, **Cliffwater**

Speakers:

Michael Lombardi, CFA, CAIA, Senior Investment Officer - Real Assets, **New York State Common Retirement Fund - Office of the State Comptroller**

Kathryn Leaf Wilmes, Partner, Head of Global Infrastructure and Real Assets, **Pantheon Ventures**

Nick Cleary, CFA, Partner and Head of North America, **Vantage Infrastructure**

4:25 PM - ENERGY

- Is now the Time to be Investing Given the Risk and Uncertainty? What's been the Recent Investor Sentiment and Approach?
- With Energy Private Equity in a Holding Pattern with EBITDA Multiple Offers coming in Lower than Valuation Expectations, what will Spur Exits?
- Where do you see the Best Opportunities and Most Attractive Sectors? Appealing Projects in Upstream, Midstream, etc?
- Where do you see Opportunities in the Royalty Space?
- How Important are the Credit Markets in the Deployment of Private Capital and what Role has it Recently Played?
- How much Leverage is Too Much Leverage?
- Risk Protection - will Hedging Protect you in a Multi-Year Price Disruption?
- How should we think about the Risk and Approach to this Space in a Climate Change Focused World?
- Public vs. Private Investing in Energy - what are the Advantages and Disadvantages of each?
- Current and Future State of Midstream MLPs - what are the Tailwinds and Obstacles?
- How do you think about Supply/Demand in North America due to the Permian?
- What does the Future hold for Shale and Natural Gas?
- What Sectors within Renewables or Alternative Forms of Energy do you find Attractive? Will the Best Opportunities be in the U.S. or in Emerging Markets?

Moderator:

Thomas Martin, Managing Director, **TorreyCove Capital Partners**

Speakers:

Chris G. Carter, Managing Partner, **NGP Energy Capital**

Christopher Chow, CFA, Director, Real Assets, **San Francisco Employees' Retirement System, (SFERS)**

Peter R. Kagan, Managing Director, **Warburg Pincus**

4:55 PM - COMMODITIES/NATURAL RESOURCES

- Current Market Environment and Impact on Commodities Prices for the Slowdown in China
- Where do you Stand on the Inflation vs. Deflation Debate?
- What do the Long-Term Commodities Supercycles say about when to Invest?
- What Factors do we need to see for us to Believe that Commodities have Bottomed and we are ready to begin a Reflationary Regime?
- Based on Previous Down Equity Markets, what Performance can we Expect from Commodities/Natural Resources if we have Market Turbulence? How Strong is the Correlation?
- What are your Views on particular Sub-Sectors and where are the Pockets of Value?
- How are Renewables Affecting Specific Commodities?
- What Currency or Weather-Related Impacts are you seeing on Specific Commodities?
- Investing in Commodities through Private Equity vs. Stocks or Indexes - Benefits and Drawbacks of Each
- True or False - Natural Resource/Commodity Stocks are Not an Efficient Way to get Exposure to this Space
- Are MLPs more Highly Correlated to Commodity Prices than we thought?
- Investing in Long/Short vs. Long Only
- Active vs. Passive
- Any Recent Developments in Commodities Risk Premia? Smart Beta as applied to Commodities?
- What are the Key Criteria that would lead to Manager Outperformance?
- Risk Factors

Moderator:

Trevor Jackson, Senior Consultant, **AndCo Consulting**

Speakers:

Amy Ridge, Principal – Advisory Services, **Mercer Alternatives**

Jason M. Kellman, Managing Partner and Chief Investment Officer, **Pinnacle Asset Management**

5:25 PM - CONFERENCE CONCLUDES

5:25 PM - WRISTBANDS HANDED OUT IN CONFERENCE ROOM FOR NETWORKING EVENT

5:40 PM - 8:40 PM - THE BLVD RESTAURANT COCKTAIL RECEPTION AND DINNER NETWORKING EVENT

Hosted by The Pension Bridge – Join our group for a cocktail reception and dinner at The Blvd, located inside the Beverly Wilshire Hotel. The Blvd is a beautiful and delightful venue with oversized windows facing Rodeo Drive. Glamorous and sophisticated, this world-class restaurant is the ideal environment for The Pension Bridge conference group to network. We'll utilize this space for meetings and conversation with quality contacts while taking in the upscale environment in the heart of Beverly Hills.

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Andrew Blake

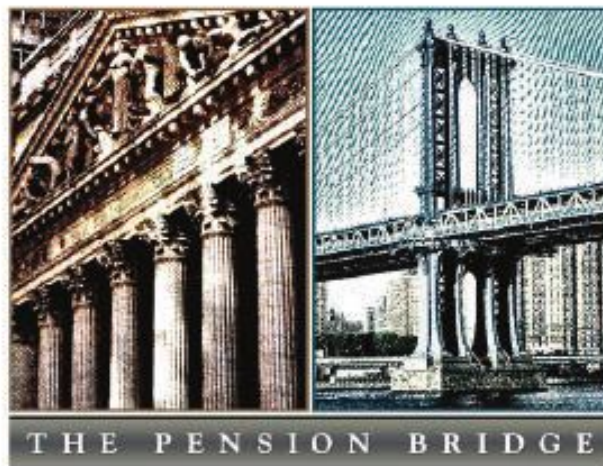
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RESEARCH MATTERS



Wes Crill, PhD
Vice President
Dimensional Fund Advisors

August 2018

What Does a Yield Curve Inversion Mean for Investors?

Historically, the US Treasury yield curve has most often been upward sloping, with longer-dated bonds offering higher yields than shorter-dated bonds. However, there have been periods when the yield curve was downward sloping, during which longer bonds were lower yielding than shorter bonds. A common concern for investors is that a yield curve inversion, or transition from upward to downward sloping, could be a precursor to a decline in equity markets.

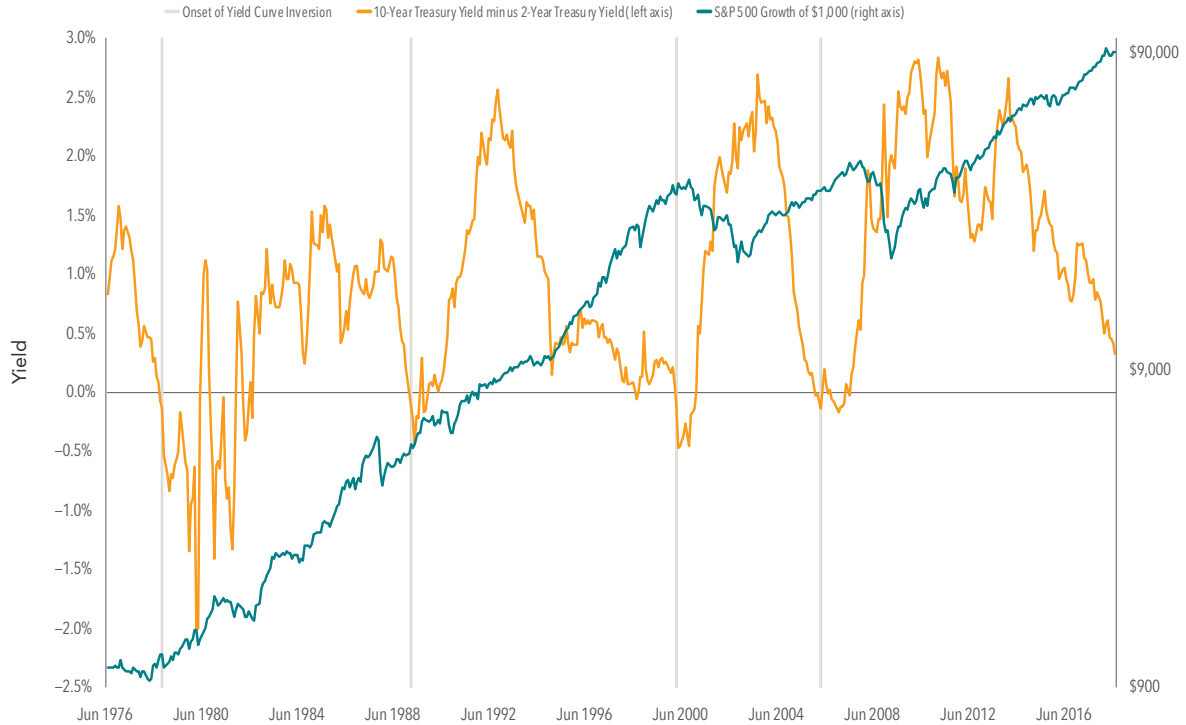
Exhibit 1 illustrates growth of a hypothetical \$1,000 investment in the S&P 500 Index since June 1976 plotted against the term spread, defined as the 10-year US Treasury yield minus the two-year US Treasury yield. Also marked on the chart are the onset of the four periods during which the curve inverted for at least two consecutive months, and short-term rates began to exceed long-term rates. As we will see upon further inspection, there has not been a strong link between these inversion periods and stock market returns.

The 2008 financial crisis offers one example to drive this point home. The US yield curve inverted in February 2006, after which the S&P 500 Index posted a positive 12-month return. The yield curve returned to a positive slope in June 2007, well prior to the market's major downturn from October 2007 through February 2009.

If an investor interpreted the inversion as a sign of an imminent market decline, being out of stocks during the inverted period could have resulted in a substantial opportunity cost. And if the same investor invested in stocks once the curve returned to a positive slope, they would also have been exposed to the stock market weakness that followed.

The paucity of yield curve inversions in the US over the last 40 years means it is challenging to draw strong conclusions about the effect on stock market performance. We can, however, look at other countries to help increase this sample size. **Exhibit 2** shows the hypothetical growth of 1,000 of the country's local currency invested in the local stock market index the month before yield curve inversions began in five major developed nations, including the US, since 1985. Equity returns (as measured by MSCI local currency indices) were a mixed bag in the three years following an inversion, with US index returns positive 66% of the time at the 12-month mark and only 33% of the time 36 months later. When all countries are included, returns of the indices were positive 86% of the time 12 months later and 71% of the time 36 months later. The takeaway here is that it is difficult to predict the timing and direction of equity market moves following a yield curve inversion.

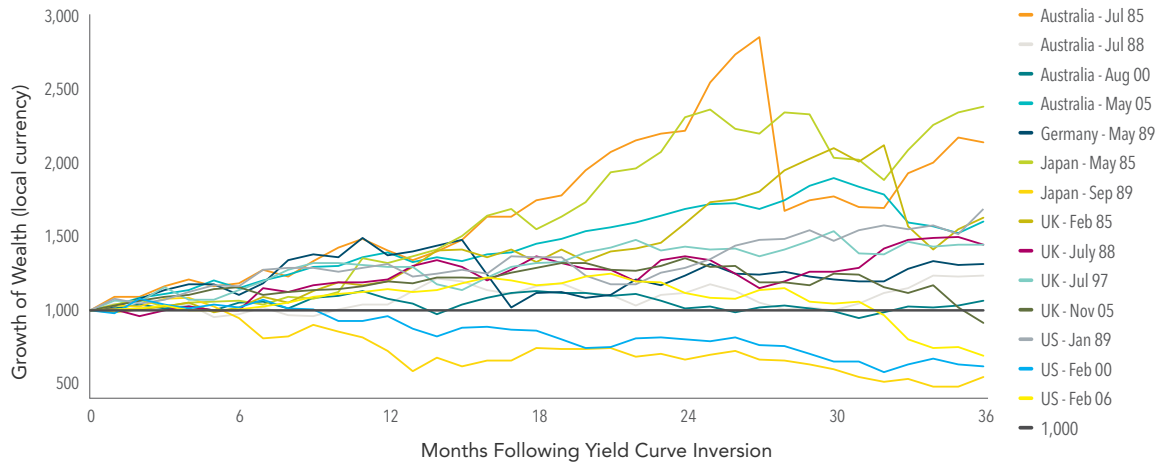
Exhibit 1: Relation Between Yield Curve Inversions and US Stock Market Performance:
 Monthly Data: June 1976–July 2018



US Treasury yield curve data (monthly) obtained from FRED, Federal Reserve Bank of St. Louis. S&P 500 Index © 2018 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

Past performance is no guarantee of future results.

Exhibit 2: Stock Market Performance in Selected Developed Countries Following a Yield Curve Inversion



Yield curve inversions based on 2-year and 10-year government bond yields for each country. Yields obtained from Reserve Bank of Australia, Bundesbank, Japanese Ministry of Finance, Bank of England, European Central Bank, and US Federal Reserve. Stock returns based on local currency MSCI indices. MSCI Australia Index (gross div., AUD), MSCI Germany Index (gross div., EUR), MSCI Japan Index (gross div., JPY), MSCI United Kingdom Index (gross div., GBP), MSCI USA Index (gross div., USD.) These countries were selected to represent the world's major developed country currencies. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. MSCI data © MSCI 2018, all rights reserved.

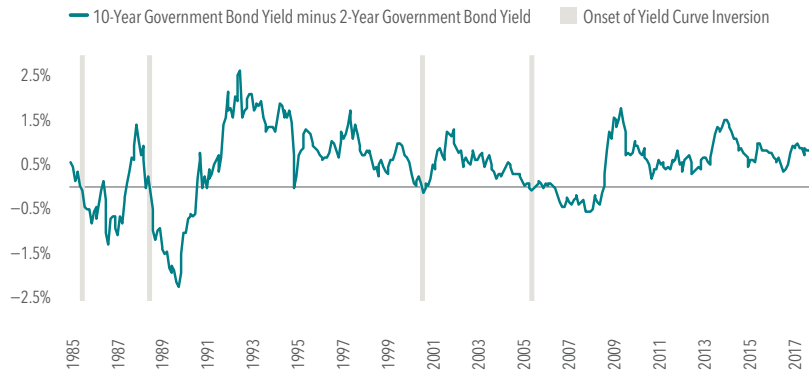
Past performance is no guarantee of future results.

Though the data set is limited, our analysis of yield curve inversions in five major developed countries shows that an inversion may not be a reliable indicator of stock market downturns. So, what can investors do if they are concerned about potential equity weakness? By developing and sticking to a long-term plan that is in line with their risk tolerance, investors may be better able to look past short-term noise and focus on investing in a systematic way that will help meet long-term goals.

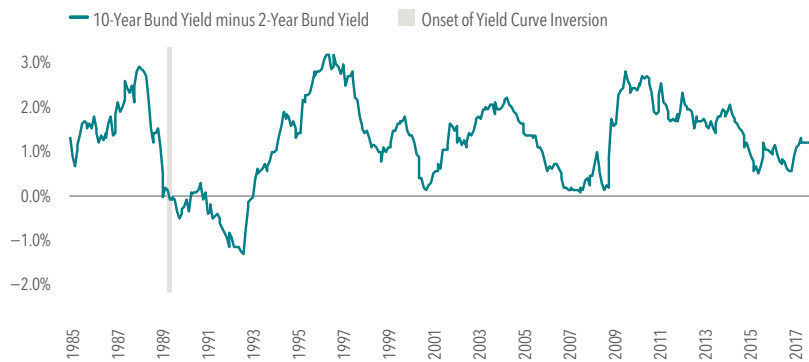
APPENDIX: TERM SPREAD AND SELECTED INVERSION EVENTS

For the purposes of this paper, a new inversion is defined, based on month-end data, as two consecutive months of inversion. Using two consecutive months of inversion helps to avoid short-term events that may not be as impactful to markets. An inversion is deemed to have ended when there has been no more than one inversion within a 12-month period. (Again, the one-month exception avoids potential false positives.)

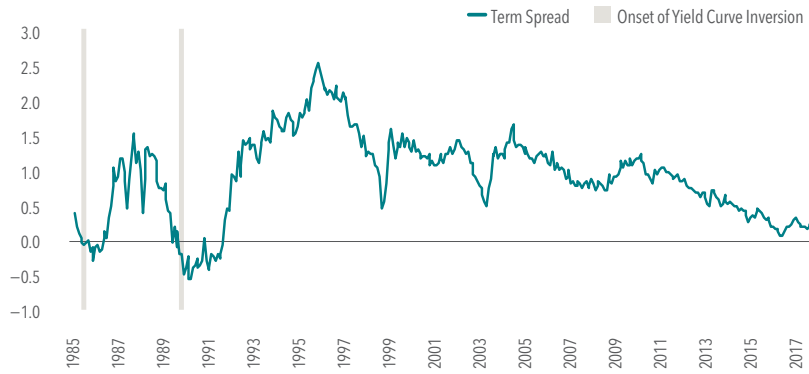
Australia



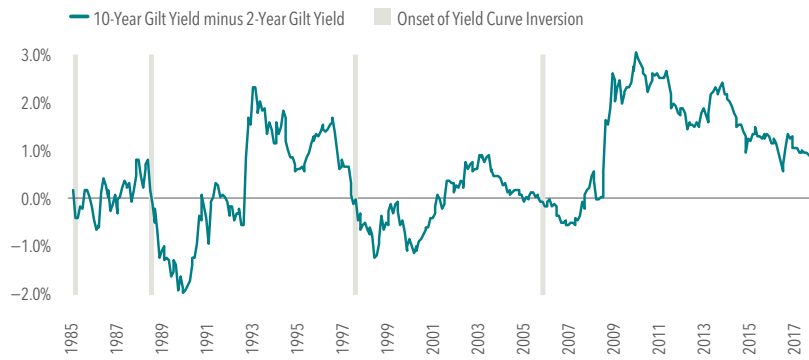
Germany



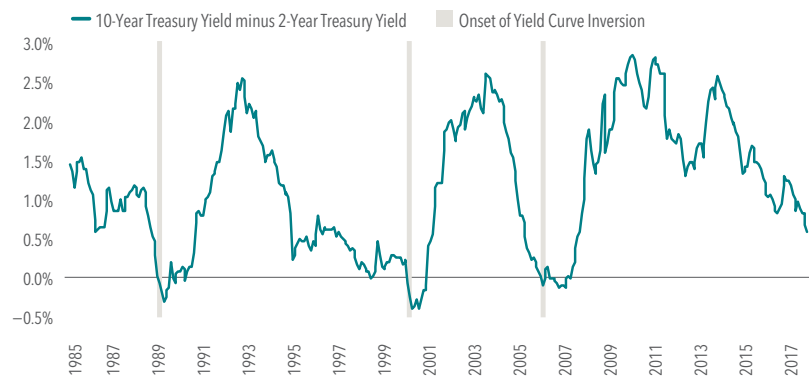
Japan



UK



US



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