

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

JANUARY 7, 2019

AGENDA

PLACE: Ventura County Employees' Retirement Association
Second Floor Boardroom
1190 South Victoria Avenue
Ventura, CA 93003

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
Page No. |
| | Oath of Office for Dan Shapiro to be Administered by Mark Lunn, County Clerk and Recorder. | |
| II. | <u>APPROVAL OF AGENDA</u> | 1 – 2 |
| III. | <u>APPROVAL OF MINUTES</u> | |
| | A. Disability and Business Meeting of December 10, 2018. | 3 – 15 |
| IV. | <u>RECEIVE AND FILE PENDING DISABILITY APPLICATION STATUS REPORT</u> | 16 – 48 |
| V. | <u>APPLICATIONS FOR DISABILITY RETIREMENT</u> | |
| | A. Application for Service-connected Disability Retirement - Horton, Merrill S.; Case No. 17-022. | 49 – 119 |
| | 1. Application for Service-connected Disability Retirement, filed October 23, 2017. | |
| | 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 December 4, 2018. | |
| | 3. Hearing Notice, dated December 11, 2018. | |

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V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

- B. Application for Service-Connected Disability Retirement - Hill, Christopher W.; Case No. 17-019. 120 – 182
 - 1. Application for Service-connected Disability Retirement, filed August 23, 2017.
 - 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 December 24, 2018.
 - 3. Hearing Notice, dated December 31, 2018.

VI. OLD BUSINESS

None.

VII. NEW BUSINESS

- A. Establishment of Personnel Review Committee.
 - 1. Staff Letter. 183
- B. Report on Due Diligence Visit to HarbourVest Submitted by Trustees Bianchi and Sedell, and CIO Dan Gallagher. 184 – 188
RECOMMENDED ACTION: Receive and file.
- C. Report on Due Diligence Visit to Prudential Submitted by Trustees Bianchi and Sedell, and CIO Dan Gallagher. 189 – 192
RECOMMENDED ACTION: Receive and file.

VIII. INFORMATIONAL

IX. PUBLIC COMMENT

X. STAFF COMMENT

XI. BOARD MEMBER COMMENT

XII. ADJOURNMENT

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY & BUSINESS MEETING

DECEMBER 10, 2018

MINUTES

**TRUSTEES
PRESENT:**

William W. Wilson, Vice-Chair, Public Member
Steven Hintz, Treasurer-Tax Collector
Peter C. Foy, Public Member
Mike Sedell, Public Member
Robert Bianchi, Public Member
Maeve Fox, General Member
Arthur E. Goulet, Retiree Member
Will Hoag, Alternate Retiree Member
Chris Johnston, Safety Member
Ed McCombs, Alternate Public Member

**TRUSTEES
ABSENT:**

Craig Winter, General Member

**STAFF
PRESENT:**

Linda Webb, Retirement Administrator
Lori Nemiroff, General Counsel
Henry Solis, Chief Financial Officer
Julie Stallings, Chief Operations Officer
Dan Gallagher, Chief Investment Officer
Leah Oliver, Chief Technology Officer
Shalini Nunna, Retirement Benefits Specialist
Vickie Williams, Retirement Benefits Specialist
Josiah Vencel, Communications Officer
Donna Edwards, Retirement Benefits Specialist
Nancy Jensen, Retirement Benefits Specialist
Chris Ayala, Program Assistant
Sierra Walsh, Office Assistant III

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

Vice-Chair Wilson called the Disability & Business Meeting of December 10, 2018, to order at 9:01 a.m.

II. APPROVAL OF AGENDA

MOTION: Approve.

Moved by Bianchi, seconded by Sedell.

Vote: Motion carried

Yes: Bianchi, Foy, Goulet, Johnston, McCombs, Sedell, Wilson

No: -

Absent: Fox, Hintz, Winter

Abstain: -

III. APPROVAL OF MINUTES

A. Business Minutes of November 19, 2018.

Trustee Goulet offered a correction to the minutes. He said on Master Page 7, in Section VI. "Investment Information," the motion should have been listed after the sentence, "After discussion by the Board, staff and consultant, the following motion was made."

MOTION: Approve with Correction.

Moved by Bianchi, seconded by Johnston.

Vote: Motion carried

Yes: Bianchi, Foy, Goulet, Johnston, McCombs, Sedell, Wilson

No: -

Absent: Fox, Hintz, Winter

Abstain: -

IV. CONSENT AGENDA

A. Approve Regular and Deferred Retirements and Survivors Continuances for the Month of November 2018.

B. Receive and File Report of Checks Disbursed in November 2018.

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

D. Receive and File Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Schedule of Investments and Cash Equivalents, and Schedule of Investment Management Fees for the Period Ending October 31, 2018.

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MOTION: Receive and File.

Moved by Johnston, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Foy, Goulet, Johnston, McCombs, Sedell, Wilson

No: -

Absent: Fox, Hintz, Winter

Abstain: -

V. RECEIVE AND FILE PENDING DISABILITY APPLICATION STATUS REPORT

MOTION: Receive and File.

Moved by Goulet, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Foy, Goulet, Johnston, McCombs, Sedell, Wilson

No: -

Absent: Fox, Hintz, Winter

Abstain: -

VI. APPLICATIONS FOR DISABILITY RETIREMENT

A. Application for Service-connected Disability Retirement - Helus, Ronald L.; Case No. 18-027.

1. Employer-Filed Application for Service-connected Disability Retirement, filed November 14, 2018.
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 November 27, 2018.
3. Hearing Notice, dated November 29, 2018.

Catherine Laveau was present on behalf of County of Ventura Risk Management.

Trustee Goulet made a motion that the Board approve the application for service-connected disability retirement. He offered his sincere condolences on behalf of the Board to Officer Helus' family.

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

Moved by Goulet, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Foy, Goulet, Johnston, McCombs, Sedell, Wilson

No: -

Absent: Fox, Hintz, Winter

Abstain: -

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- B. Application for Nonservice-connected Disability Retirement - Houston, Stephen D.; Case No. 18-002.
1. Application for Nonservice-connected Disability Retirement, filed January 16, 2018.
 2. Medical Analysis and Recommendation, including Supporting Medical Documentation, submitted by VCERA Staff, in support of the Application for Nonservice-connected Disability Retirement, dated December 10, 2018.
 3. Hearing Notice, dated November 28, 2018.

Julie Stallings and Donna Edwards were present on behalf of VCERA. The applicant, Stephen D. Houston, was also present.

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

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

Moved by Sedell, seconded by Johnston.

Vote: Motion carried

Yes: Bianchi, Foy, Goulet, Johnston, McCombs, Sedell, Wilson

No: -

Absent: Fox, Hintz, Winter

Abstain: -

Trustees Fox and Hintz arrived after the vote at 9:04 a.m.

- C. Request for Consideration from Trustee Goulet for Alternate Disability Retirement Application Processing for Catherine D. Rodriguez and Ongoing Policy for Processing of Applications Where Potential Conflict of Interest May Exist.
1. Letter from Trustee Goulet.

Trustee Goulet clarified that his recommendation was not that the Board should establish a policy, although a policy might be prudent, so the Board need not make an alternate application-processing decision on every future case involving a potential conflict of interest. He said he had presented the item to the Board because there is a potential for a conflict of interest (or at least the appearance of it) regarding Ms. Rodriguez's disability retirement application. Therefore, his recommendation was to request that the County CEO's Office recuse itself from Ms. Rodriguez's case and that VCERA staff be directed to conduct the requisite investigation internally or to contract with a neighboring retirement system governed by the County Employees Retirement Law of 1937 to process the application.

Mr. Pode remarked that Risk Management had never reported to Ms. Rodriguez nor did she have access to their files or computer systems. However, he acknowledged the potential perception of a conflict of interest, and said that he thought it was important to address the issue in case, as well as any future cases. He stated that Risk Management had a fair system, but he agreed that Ms. Rodriguez's case should be reviewed by another retirement system. He noted that the perception of a conflict of interest raised regarding Risk Management could be said of

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all County departments. Mr. Pode said Risk Management would be happy to work with VCERA to create a fair policy for similar cases going forward; and, that policy was in place, Risk Management would recuse itself from all applicable cases.

Trustee Foy remarked that after working with Mr. Pode for the last 12 years, he found Risk Management to be very straightforward and honest. But he agreed that there could be a perception of a conflict of interest and therefore suggested that such a policy also include all CEO staff and department heads.

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

MOTION: Direct Staff to Work with Risk Management's Office to Create an Agreement for an Independent Solution to Process the Disability Retirement Application of Ms. Catherine Rodriguez, and in the Event that VCERA Staff and Risk Management Cannot Agree on a Process, Staff Would Return to the Board for Further Direction.

Moved by Foy, seconded by Sedell.

Vote: Motion carried

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

No: -

Absent: Winter

Abstain: -

Following the vote on this item, the Board advanced to agenda item IX.A. "BlueBay Direct Lending Fund III Presentation, Danielle Hootnick and Anthony Fobel."

VII. ACTUARIAL INFORMATION

A. Review and Approval of Annual Actuarial Valuation Report as of June 30, 2018 – Segal Consulting, Paul Angelo and John Monroe.

1. June 30, 2018 Actuarial Valuation Report.
2. June 30, 2018 GAS 67 Actuarial Valuation Report.

Trustee Johnston urged Board members to have a response to questions about why VCERA's unfunded actuarial accrued liability (UAAL) had not decreased significantly, despite a few good years of solid investment returns.

Trustee Goulet cited a chart on Master Page 327 showing that the Plan's assumption changes amounted to 91.83% of the UAAL, and noted the bulk of UAAL had nothing to do with investment earnings.

Mr. Angelo remarked that Trustee Goulet's calculation was consistent with what the report showed and that, to clarify, most of the plan's unfunded liability was not due to historical investment earnings, although the expectation of lower future earnings had an impact.

Trustee Goulet cited Master Page 279, which showed the ratio of non-active members to active members was the highest it had ever been.

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Trustee Foy said that over the next few years, the County would likely have a budget surplus, which might allow for faster pay off of the Plan's unfunded liability.

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

MOTION: Approve the Adoption of the June 30, 2018 Actuarial Valuation Report.

Moved by Goulet, seconded by Bianchi.

Vote: Motion carried

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

No: -

Absent: McCombs, Winter

Abstain: -

MOTION: Receive and File GAS 67 Actuarial Valuation Report.

Moved by Bianchi, seconded by Foy.

Vote: Motion carried

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

No: -

Absent: McCombs, Winter

Abstain: -

Trustees Foy and Sedell left after the votes on these items.

B. Recommendation to Approve PEPRA Annual Compensation Limit.

RECOMMENDED ACTION: Approve.

1. Staff Letter.
2. California Actuarial Advisory Panel PEPRA Pension Compensation Limits for the Calendar Year 2019.

MOTION: Approve the 2019 PEPRA Annual Compensation Limit.

Moved by Goulet, seconded by Fox.

Vote: Motion carried

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

No: -

Absent: Foy, McCombs, Sedell, Winter

Abstain: -

VIII. INVESTMENT MANAGER PRESENTATIONS

A. Receive Annual Investment Presentation from Loomis Sayles, Stephanie S. Lord.

Stephanie S. Lord was present on behalf of Loomis Sayles to provide an organizational and investment performance update.

After hearing the presentation from Loomis Sayles, the Board advanced to agenda item IX.B. "Discussion of US vs. International Performance."

IX. INVESTMENT INFORMATION

NEPC – Allan Martin.

VCERA – Dan Gallagher, Chief Investment Officer.

A. Recommendation to Approve Investment: \$25M BlueBay Direct Lending Fund III.

RECOMMENDED ACTION: Approve.

1. Staff Letter by CIO Dan Gallagher.
2. Memorandum and Research Report from NEPC.
3. BlueBay Direct Lending Fund III Presentation, Danielle Hootnick and Anthony Fobel (via conference call from London).

Trustee McCombs left at 10:04 a.m. before the vote on this item.

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

MOTION:

Moved by Bianchi, seconded by Foy.

Vote: Motion carried

Yes: Bianchi, Fox, Goulet, Hintz, Wilson

No: Johnston

Absent: Foy, McCombs, Sedell, Winter

Abstain: -

The Board left to break at 10:10 a.m.

The Board returned from break at 10:20 a.m.

The Board returned to agenda item VII.A. "Review and Approval of Annual Actuarial Information Report as of June 30, 2018 – Segal Consulting, Paul Angelo and John Monroe."

B. Discussion of US vs. International Performance.

1. News Article, "Tough Year for Globalists."
2. 2018 Capital Market Review and Looking Ahead to 2019.

Mr. Ferrera was present on behalf of NEPC.

Mr. Ferrera said that after reviewing the article, it involves the ongoing discussion between the Board and NEPC regarding the performance of domestic versus international stocks. He said

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Mr. Gallagher had included the 2018 Capital Market report to balance the argument for international investing.

Trustee Johnston left at 11:29 a.m. before the vote on this item.

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: Bianchi, Fox, Goulet, Hintz, Wilson

No: -

Absent: Foy, Johnston, McCombs, Sedell, Winter

Abstain: -

X. OLD BUSINESS

None.

XI. NEW BUSINESS

A. Notification of Pending Depletion of Non-Vested Supplemental Benefit Reserve, and Recommendation to Adopt Resolution to Terminate Benefit Reserve after June 30, 2019.
RECOMMENDED ACTION: Approve.

1. Staff Letter.
2. Resolution Providing Supplemental Retirement Allowance Pursuant to Provisions of GC 31691.1 & 31692, effective March 17, 2003.
3. Proposed Resolution to Pay Supplemental Allowance through June 30, 2019, and Subsequently Terminate.

Ms. Webb informed the Board that the \$25 million that originally funded the \$27.50 supplemental benefit would be depleted by June 2019. Therefore, staff recommended that the Board: (a) amend the 2003 Resolution by adopting a new resolution stating that the \$27.50 non-vested supplemental benefit would be paid through June 30, 2019, and then immediately terminate; and, to authorize the Chair, or Vice-Chair in the absence of the Chairman, to sign the resolution; and, (b) direct staff to retain any remaining funds in the \$27.50 supplemental benefit reserve account to pay retroactive benefits, such as disability and death benefits, to eligible retirees and/or beneficiaries, and that any funds remaining after all eligible payments were made would be transferred to the undistributed earnings account.

Vice-Chair Wilson said he was surprised that in 2003 an actuary had projected that the \$25 million would be sufficient to fund the benefit in perpetuity.

Trustee Goulet said the actuary's comment assumed there would be interest credited to the reserve account, which did not happen consistently.

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Trustee Johnston returned at 11:31 a.m. before the vote on this item.

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

MOTION: Approve the Recommendation to Adopt a Resolution to Terminate Benefit Reserve after June 30, 2019.

Moved by Fox, seconded by Hintz.

Vote: Motion carried

Yes: Bianchi, Fox, Hintz, Johnston, Wilson

No: -

Absent: Foy, McCombs, Sedell, Winter

Abstain: Goulet

- B. Recommendation for Authorization for Retirement Administrator to Attend the International Federation of Employee Benefit Plans (IFEBP) Advanced Trustee & Administrators Institute, February 18 – 20, 2018, in Lake Buena Vista, FL.

RECOMMENDED ACTION: Approve.

1. Staff Letter.
2. IFEBP Advanced Trustee & Administrators Institute Agenda.

Ms. Webb noted that the event was offered on two separate dates at two different locations, and staff was open to attending the event in June, if the Board preferred.

Trustee Johnston asked which event would be better for Ms. Webb's schedule.

Ms. Webb replied that neither event would interfere with any Board meetings, but June tended to be busier because it was the end of the fiscal year.

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

MOTION: Approve Recommendation for Authorization for Retirement Administrator to Attend the International Federation of Employee Benefit Plans (IFEBP) Advanced Trustee & Administrators Institute, February 18 – 20, 2018, in Lake Buena Vista, FL.

Moved by Johnston, seconded by Bianchi.

Vote: Motion carried

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

No: -

Absent: Foy, McCombs, Sedell, Winter

Abstain: -

After the vote on this item, the Board advanced to item XI.D. "Recommendation for Authorization for General Counsel to Attend the NAPPA 2019 Winter Seminar, Tempe, AZ, February 20 – 22, 2019."

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- C. Recommendation for Authorization for Up to 2 Trustees and CIO to Attend the NEPC 2019 Public Funds Workshop, Tempe, AZ, January 31 – February 1, 2019.

RECOMMENDED ACTION: Approve.

1. Staff Letter by CIO Dan Gallagher.
2. NEPC 2019 Public Funds Workshop Agenda.

Mr. Gallagher informed the Board that the estimated cost of the trip per person had changed from \$600 to \$800, as of that day.

Trustee Johnston said that if none of the current Board members could attend, perhaps the newly elected trustee, Dan Shapiro, might want to attend.

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

MOTION: Approve the Recommendation for Authorization for Up to Two Trustees and the CIO to Attend the NEPC 2019 Public Funds Workshop, Tempe, AZ, January 31 – February 1, 2019.

Moved by Johnston, seconded by Bianchi.

Vote: Motion carried

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

No: -

Absent: Foy, McCombs, Sedell, Winter

Abstain: -

Ms. Webb introduced Mr. Shapiro to the Board and stated he was scheduled to be sworn in as a new trustee at the January 7, 2019 Disability Meeting.

Vice-Chair Wilson welcomed Mr. Shapiro on behalf of the Board.

After the vote on this item, the Board advanced to agenda item XI.E. "Annual Appointment of Chair and Vice-Chair."

- D. Recommendation for Authorization for General Counsel to Attend the NAPPA 2019 Winter Seminar, Tempe, AZ, February 20 – 22, 2019.

RECOMMENDED ACTION: Approve.

1. Staff Letter.
2. NAPPA 2019 Winter Seminar Agenda.

MOTION: Approve the Recommendation for Authorization for General Counsel to Attend the NAPPA 2019 Winter Seminar, Tempe, AZ, February 20 – 22, 2019.

Moved by Goulet, seconded by Johnston.

Vote: Motion carried

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

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No: -

Absent: Foy, McCombs, Sedell, Winter

Abstain: -

After the vote on this item, the Board returned to agenda item XI.C. "Recommendation for Authorization for Up to 2 Trustees and CIO to Attend the NEPC 2019 Public Funds Workshop, Tempe, AZ, January 31 – February 1, 2019."

E. Annual Appointment of Chair and Vice Chair.

1. Staff Letter.

Ms. Webb informed the Board that there was an error in staff's letter, which omitted the date that the Board had acted to delay the election to fill Mr. Towner's position, which was May 7, 2018. She said that traditionally, the December meeting was when the Board elected a Chair and Vice-Chair for the coming year, but because of the action the Board had taken in May, staff was presenting three potential actions the Board could take. The possible actions were: 1) appoint a permanent Chair and Vice Chair for 2019, per Board Charter; 2) maintain the status quo, with the Vice Chair continuing to preside as Chair, and appoint a temporary Vice Chair, postponing appointment of a permanent Chair and Vice Chair for the remainder of 2019, until the Civil Service Commission (CSC) issued a decision on the case of Mr. Towner; 3) Appoint a temporary Chair and Vice Chair to serve until after the CSC issues a decision or until a date specified by the Board.

Ms. Fox suggested that the Board appoint a temporary Chair and Vice Chair.

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

MOTION: Approve the Temporary Appointment of Chair and Vice Chair to Serve Until After the Civil Service Commission Issues a Decision Regarding Mr. Towner.

Moved by Hintz, seconded by Fox.

Vote: Motion carried

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

No: -

Absent: Foy, McCombs, Sedell, Winter

Abstain: -

Trustee Hintz nominated Trustee Wilson to serve as temporary Chair.

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

MOTION: Approve Temporary Appointment of Trustee Wilson as Chair.

Moved by Hintz, seconded by Bianchi.

Vote: Motion carried

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

No: -

Absent: Foy, McCombs, Sedell, Winter

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Abstain: -

Trustee Fox nominated Trustee Johnston to serve as temporary Vice-Chair.

Trustee Johnston replied that although he appreciated the nomination, he would not be able to serve as the Vice-Chair at this time.

Trustee Johnston nominated Trustee Bianchi to serve as temporary Vice-Chair.

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

MOTION: Approve Temporary Appointment of Trustee Bianchi as Vice-Chair.

Moved by Johnston, seconded by Hintz.

Vote: Motion carried

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

No: -

Absent: Foy, McCombs, Sedell, Winter

Abstain: -

XII. INFORMATIONAL

A. Parametric Organizational Update.

XIII. PUBLIC COMMENT

None.

XIV. STAFF COMMENT

Ms. Webb reminded the Board that it was Trustee Fox's last Board meeting serving as a Trustee because she did not seek re-election.

Trustee Fox said that she had enjoyed serving on the Board and that the level of professionalism of the Board and staff left her feeling confident of the organization's ability to negotiate future rough waters.

Ms. Nemiroff informed the Board that the Court had issued a favorable decision in the Karla Dean Writ of Mandate case by upholding the Board's decision to deny Ms. Dean a service-connected disability retirement.

XV. BOARD MEMBER COMMENT

None.

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XVI. ADJOURNMENT

The meeting was adjourned at 11:46 a.m.

Respectfully submitted,



LINDA WEBB, Retirement Administrator

Approved,

William W. Wilson, Vice-Chairman



January 7, 2019

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

SUBJECT: ESTABLISHMENT OF PERSONNEL REVIEW COMMITTEE

Dear Board Members:

The Senior Managers' Performance Evaluation Policy requires that an ad hoc Personnel Review Committee be established at the beginning of each year. The chief responsibility is to manage the formal evaluation of the Retirement Administrator, the General Counsel and the Chief Investment Officer. Members of the last year's committee were Trustee Hoag (Chair), Trustee Johnston and Trustee Sedell.

Staff recommends the Board appoint three (3) Trustees to serve on this committee and to designate a Chair.

I would be happy to answer any questions you may have at the January 7, 2019 disability meeting.

Sincerely,



Linda Webb
Retirement Administrator



January 7, 2018

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572

**SUBJECT: HARBOURVEST ON SITE DUE DILIGENCE VISIT – BOSTON,
MASSACHUSETTES OFFICE**

Dear Board Members:

On November 28, 2018 VCERA trustees Mike Sedell and Robert Bianchi, and CIO Dan Gallagher conducted an on-site due diligence visit at the Boston, Massachusetts office of HarbourVest. Following is our due diligence report.

Our visit began with HarbourVest at 9:00am, Wednesday November 28, 2018 at HarbourVest's Boston headquarters office at:

HarbourVest

One Financial Center, 43rd Floor
Boston, MA 02111

HarbourVest Personnel

Managing Directors: Brett Gordon, Michael Pugatch, Raj Senapati, John Toomey, Secondaries Team; Alex Rogers, Co-Investments Team; Mary Traer, Chief Administrative Officer; Julie Eiermann, Chief Information Officer; Tricia Mackechnie Chief Technology Officer; Paula Drake, General Counsel

Principals: Joel Hwang, Co-Investments; Mark Radville, Investor Relations

Senior Vice President: Tony Cobuzzi, Fund Controller

Firm Overview

We began our meeting with John Toomey, Brett Gordon, and Mark Radville, who started with an overview of HarbourVest (HV), including the firm's history and regulatory certifications. John described the firm as originating as a unit of John Hancock Venture Partners, with the team spinning out and making its first investment 1982. HV continued to grow by expanding beyond venture capital (VC) into growth capital, buy-outs, and myriad special situations across primary, secondary, and co-investments strategies, and into non-U.S. investments. The integrated investment platform provides competitive advantages, enabling the growth of strong relationships across the industry, enhancing deal flow, evaluation, and monitoring. Today HV has close to 500

employees of which more than 100 are investment professionals; and, local teams in Beijing, Bogota, Boston, Hong Kong, London, Seoul, Tel Aviv, Tokyo, and Toronto, and near term, will be opening a Dublin office in anticipation of Brexit.

HV believes that a major focus on critical growth in operations has been key to generation of strong investment performance. Staying ahead of business growth with a major focus on operations has been of paramount importance.

Talent

John addressed firm ownership, noting that ownership is a regular discussion they have, and HV regularly adds new partner-owners. They have 27 owners with no one person owning more than 6%.

Brett is the chair of the compensation committee. He reported that HV does a significant amount of research about compensation within the industry. HV has found that the breadth of their carry participation (profit sharing) and total compensation is significantly higher than that of most in the industry.

John elaborated that HV has declined multiple offers to sell the firm. The founding partners allowed the current owners to transition ownership, and the current partners intend to transition ownership to the next generation of partners. This keeps interests aligned, and the junior analysts and partners motivated.

Private Equity Business

We discussed the future of private equity in general, and HV in particular. John explained that returns are merely 'table stakes' in today's environment. HV believes that the non-portfolio piece will become more important, especially access to information, services, and support. Information will help inform what HV does across the entirety of their portfolio. Information access will continue to be important, no matter the size of the plan, nor the depth of general partner (GP) relationships.

John noted that smaller funds and spinouts are a natural progression of the industry and one they believe is healthy, as it is simply the industry regenerating itself. John cited various motivations, and why spinning out to start new firms will always remain appealing. He observed that too much capital is the enemy of good returns. However, private equity (PE) is only a fraction of the size of the public markets, and there is a lot of room for growth.

John pointed out that the industry has realized that PE *firms* are in and of themselves good businesses. Investments in these have been and will become even more prevalent.

Private Credit

John opined that private credit growth is not dissimilar to PE growth – there is a lot of room to grow, and a lot of room for managers to participate in satisfying demand for capital. HV has taken a cautious approach to private credit, believing that it has helped during the current trend of rising interest rates.

In building out their credit capabilities, HV recently hired Jamie Athanasoulas from Bain Capital Credit and Karen Simeone from TCW to lead their effort. They recently launched their second Opportunities (mezzanine) fund and expect to launch their first direct lending fund (1Q/2019).

Secondaries (Dover funds)

We next were joined by Mike Pugatch and Raj Senapati. Brett provided data on secondary investments throughout all market cycles. Fully 20% of global PE and VC (13% alone for PE) funds have lost money while less than 2% of secondary funds have lost money. Additionally, the performance of the secondary market as a whole has matched the top quartile returns of the overall PE market with better performance at the median and 75th percentile.

Brett explained that funds need to be big enough to do large deals, and GPs need to know that you can take down entire opportunities. HV considers themselves the smallest of the large funds. Mike Pugatch clarified that HV's fund sizes are dictated by the strategies that they employ, and projected opportunity sets in the marketplace.

Brett explained the Dover strategy is very deliberate. A distinguishing characteristic is the ability to execute on complex deals. He emphasized that 'complex' deals involve the same assets, just executed by resolving special / complex / difficult situations. Dover does only a dozen or so deals a year while their larger competitors are often compelled to participate more globally in 'all' opportunities. Dover's size allows HV to continue to exploit their two key strengths: 1) the experience they have in the industry, and 2) their ability to diligence assets allowing for better, more informed decisions. Thirty-five years of relationships and investments tracked in over 10,000 funds is key to that information.

Mike acknowledged that even secondary portfolios have tails as funds gets closer to end of life / extensions. HV considers selling the portfolio tail pieces at discounts in the secondary market to lock in returns and liquidate the fund. Brett added that HV has bought a few, but buying tails is not their sweet spot.

Secondaries make up about 30% of the firm's investments, with primaries being HV's largest business segment. Brett observed that primary and secondary investments serve different purposes. Primary investments are the bedrock of any PE program. The primary market allows an investor to move strategically into targeted areas (stage, strategy, geography, etc.) of the market. Secondaries invest only in what is available or 'what you are able to make available'. But secondary investments get capital deployed faster, offering a much shorter "J" curve.

Raj Senapati reported that Dover Fund VIII (Dover 8) committed to 37 deals and returned approximately \$933 million of capital to investors in 2018. Dover 8 is the top secondary fund in Cambridge's secondary universe. Dover 8 investment purchase prices have ranged from 0.70x to 1.15x of net asset values (NAV). Although discounted purchase prices have driven early performance, overall intrinsic value and value creation have driven long-term returns. Dover 8 fund returns are significantly ahead of both PE and the Public Market Equivalent benchmarks. HV's extensive database of

funds and portfolio companies is used to value assets on every deal. The Portfolio is very strong with 8 out of the top 10 holdings currently well ahead of plan.

Dover Fund IX (Dover 9) began investing in late 2016 with a current multiple of invested capital (MOIC) 1.4x, and a 65% net internal rate of return (IRR). Credit lines have only temporarily boosted the IRR. However early Dover 9 performance looks to be on a similar pattern as the prior Dover 8, at a similar point in the fund's investment cycle.

Mike provided examples of several secondary deals, including the taking private SVG Capital, which was the largest publicly listed PE fund in the world with 47 underlying interests. This opportunity wasn't initially for sale, but HV created the opportunity. High quality assets were the underlying value of the transaction, and because of the deal's complexity, Dover 9 was able to purchase at a significant discount to market value.

Co-Investments

Joel Hwang led the discussion for the Co-Investments funds. HV's Co-Investment Fund IV (HCF 4) is off to a strong start, held at a MOIC of 1.2x, and a 18.6% gross IRR as of 6/30/2018. To date, there is only one company out of a portfolio of 40 companies that is underperforming expectations. In addition to attractive valuations, there is incremental liquidity with multiple portfolio holdings. The fund's first realization is currently in process, anticipating a net 30% IRR, which would provide over \$115 million of liquidity to HCF 4.

HCF 4's portfolio is focused on middle-market opportunities and is broadly diversified across sectors. U.S. investments comprise the largest portion of the portfolio, followed by those in Europe, Asia, and emerging markets. The process employed in constructing the portfolio has produced an optimal risk / reward profile, investing alongside of top managers, and at a lower cost than traditional funds.

HCF Fund V (HCF 5) is actively under construction with six commitments having been made, representing approximately \$384 million of capital for the fund.

Joel stressed the importance in sourcing opportunities and investing alongside strong sponsors with resilient business models. Much of the deal flow is qualified by leading GPs whose specialties position them to select the most compelling opportunities for their funds. Many investments have featured a differentiated angle, pre-empting a competitive process. HV Co-Investment funds offer solutions for GPs that are difficult for others to provide (e.g. warehousing, co-underwriting, minority recapitalizations, etc.), resulting in a lot of proprietary deal flow. HV's ability to fulfill a variety of needs of the GP community allows for market positioning as a preferred co-investment partner. Joel described several examples.

Operations & Risk Management

We next met with Julie Eiermann, Mary Traer, Tony Cobuzzi, Paula Drake and Tricia Mackechnie. Tony provided an overview of Accounting and Treasury operations, and the division of responsibilities. He noted HV funds close on a quarterly basis. Treasury

responsibilities include capital calls, wire activity, credit lines, and foreign exchange/ currency hedging. Trading's responsibility is to liquidate public holdings. Mary discussed tax issues and IRR calculations as they relate to their differently situated investors. She explained that when taxes are applied at the fund level then those taxes are recorded as an expense of the fund and are reflected in the total fund IRR. If applied at the partner level based on partner status, then the taxes are paid by or recorded as a receivable from the specific partner(s). The receivable is then settled via holdback from a fund distribution. Taxes are not factored into the fund's IRR if they are allocated on partner level.

The internal tax team consists of 22 tax professionals. They are responsible for obtaining all the relevant tax information from underlying investments, but the income tax return and withholding tax/FATCA/CRS preparation is done externally. The internal team reviews all externally prepared returns and facilitates tax reclaims and remittances if any. The internal team is also responsible for reporting to investors and addressing any questions on the tax information provided by HV's Funds.

Mary noted that HarbourVest uses Ernst & Young, PWC and Deloitte for Tax Compliance and transactional advice. Most tax legal review is handled by external legal providers.

Paula described the legal team's functions, and explained they handle all Know Your Customer (KYC), Anti-Money Laundering (AML), and SEC review/ exam preparedness. Their legal team is spread across offices globally.

Tricia is head of Global IT in Boston, and together with Julie, are on a committee responsible for implementing cyber security policies. They actively conduct internal phishing campaigns to ensure employees are educated and sensitized. They also hire an outside firm to attempt cyber security breaches.

Tricia explained HV's backup protocol which includes data access restoration in less than 2 hours with a back-up site in Denver. The Disruption committee regularly reviews protocols, and annual emergency testing (fire, earthquake, power outage, etc.) is performed. All employees are instructed on remote set up and reminded to take equipment home nightly.

Julie described their Portfolio Analytics team, and the group acts as a point of contact for 1,500 GP relationships with close to 30,000 companies in their database.

We found no due diligence concerns and concluded our meeting at 1:00 pm.

Respectfully submitted,

Mike Sedell
Robert Bianchi
Dan Gallagher



January 7, 2018

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

SUBJECT: PRUDENTIAL GLOBAL INVESTMENT MANAGEMENT (PGIM) REAL ESTATE ON SITE DUE DILIGENCE VISIT – MADISON, NEW JERSEY OFFICE

Dear Board Members:

On November 29, 2018 VCERA trustees Robert Bianchi, Mike Sedell, and CIO Dan Gallagher conducted an on-site due diligence visit at the Madison, New Jersey office of PGIM Real Estate to discuss VCERA's investment in PGIM's US Core Fund, PRISA I. Following is our due diligence report.

Our visit began at approximately 9:00 am at PGIM's New Jersey headquarters at:

PGIM

7 Giralda Farms, 3rd Floor
Madison, NJ 07940

PGIM Real Estate Personnel

PRISA I Portfolio Manager and CFO Joanna Mulford; PRISA Executive Director, Asset Management Carly Miller; Asset Manager Alison Hallberg; Executive Director Investment Research Frank Nitschke; Assistant Vice President, Performance Measurement Lexi Woolf; Vice President Systems Development Ron Singh; Vice President Facilities and Administration Ellen Burkhart; and, Business Development and Client Relations Associate Alexandra (Alex) Black.

Firm Overview

We began our meeting with Joanna, Carly, Lexi, Alison and Alex who started with an organizational overview of PGIM Real Estate, and how it fits into the larger organization. Joanna noted that the parent organization, insurance company Prudential Financial (PFI), has managed assets for more than 140 years, its stock is listed on the NYSE, and has 1.41 trillion \$U.S. assets under management, including those managed by its subsidiary, PGIM. PFI is one of the top 10 global investment managers as reported by P&I in May 2018.

On the org chart under PFI sits PGIM. PGIM is the principal asset management business of PFI, managing more than \$1 trillion \$U.S. assets under management (AUM) and under advisement (AUA). PGIM investments include those in public and private equity and

fixed income, fundamental and quantitative real estate globally, and include assets managed by PGIM Real Estate.

Under PGIM sits PGIM Real Estate, which manages \$70.9 billion gross (\$50.4 billion net of leverage) globally, and \$49.5 billion gross (\$36.1 billion net of leverage) in the U.S. This subsidiary has 314 employees across offices in 6 cities in the U.S.

PRISA I

PGIM's U.S. Core Fund, PRISA I (or 'the fund'), is one of three in a family of institutional commingled funds managed by PGIM Real Estate (the other two funds being the U.S. Core-Plus Fund PRISA II, and U.S. Value Add Fund PRISA III). Joanna reviewed the performance of PRISA I and the fund's benchmark, NCREIF-ODCE. Joanna noted that PRISA I is the oldest open-end core real estate fund in the ODCE benchmark.

PRISA I will use less than 30% leverage, and targets 10% or less of the fund to non-core exposure. The return focus is on income generation, and a diversified U.S. geographic footprint. The fund is also diversified across product types, and includes investments in apartment, retail, office, industrial, and storage properties.

We next reviewed the history of VCERA's investment in the fund, noting total contributions by VCERA of \$60 million. Of this amount, \$40 million was invested in March 2005, and an additional \$20 million in September 2005. The fund has produced investment gains of \$95 million, of which \$65 million is from income, and \$30 million is from appreciation. VCERA's shares have a market value of approximately \$154 million after fees. As of September 30, 2018, VCERA's investment in the fund has returned 7.88%, 7.92%, 10.19%, 4.30%, and 6.54% net of fees over 1, 3, 5, 10- year periods, and since inception, respectively.

PRISA I has a dedicated asset management team but shares resources, such as the transactions team, with the other funds. There is an allocation meeting every other Monday where the transactions professionals go through deal briefs on current opportunities with the portfolio management teams. Once a deal is allocated to the fund, an asset manager and a portfolio manager receive the hand-off from the transactions team.

PRISA I outperformed its benchmark in Q3. Appreciation outperformed the team's expectations due to strong net operating income growth. Industrial property investments have been a major return driver due to the increased demand of e-commerce. The fund's investments in the Los Angeles region have outperformed due to a concentration of industrial properties in Southern California. In the Bay Area, a life sciences property has been the largest contributor of property appreciation. Tactical markets Atlanta and Seattle have generated greater than anticipated performance. Occupancy has been reverting to historical levels across property types except industrial, which continues to grow.

Asset Management

Carly reviewed the asset management function and reporting structure. The asset manager will come in during the acquisition process and will work with the transactions team to develop business plans and underwriting for each property. The asset managers

are responsible for safeguarding the properties, responsible for property level execution with their primary responsibility of maintaining and creating value for investors. They develop or refresh a strategic plan every year with specific objectives aligned with overall portfolio goals.

Some examples of their duties are: they participate in the underwriting and acquisition process; manage partner relationships; negotiate a variety of property documents; develop budgets and business plans; monitor property management; do tax reviews and lead tax appeals; manage leasing; conduct property inspections; manage property level debt and interest rate hedges; oversee capital projects; coordinate property sales; and, meet with portfolio clients and prepare client materials as needed.

Every quarter each asset is valued, and the team will review the valuations and make any necessary changes/adjustments. Once the decision has been made to exit an asset, the asset manager will work with a two-person disposition team to complete the sale. Asset managers are responsible for a range of 10-25 properties on average.

The asset management function is organized by strategy and region, with dedicated teams reporting to the portfolio managers. However, apartment and retail functions are aligned nationally in the fund.

We next discussed in detail two property level reviews. The first was an office building, built with an outside operating partner. We discussed the history of the acquisition, various leasing strategies employed, and then the sale of a partial interest to help diversify the fund's exposure to the NYC office market.

The second property discussed was a life-style center with a high touch concierge that overlays the entire community. They structured the deal to invest in the property over two phases, increasing tenant quality profile and to raise rents. Since purchase, they have leased 100% of the office space, increased retail leasing from 20% to 80%, and have increased food and beverage sales 30%.

Joanna discussed the fund's strategic markets and the analysis the portfolio management team completed in conjunction with their research group. Together they refined their list to target 5 strategic markets: San Francisco, Los Angeles, Boston, New York and Washington DC. Chicago, Miami, Seattle, etc. are on their tactical markets list.

The fund's target is 10% to non-core investments. At this time, non-core is at approximately 8.8%, largely due to a deal that has moved from non-core into the core bucket. The team is moving back toward the 10% target.

Regarding property type allocations, the fund has decreased its exposure to office, moving to neutral from an over-weighted position. The fund's allocation to storage investments differentiates them from other ODCE funds. This specialty property type was first tested by

PRISA II before PRISA I invested. Coming out of the downturn, storage has become more institutionally accepted. Frank, Ron, and Ellen then joined the meeting.

Research

Frank noted that the investment research group is independent from the fund groups reporting directly to the CEO, Eric Adler. The integration with PGIM's Real Estate Finance group has added a diverse perspective. Research hosts a Quarterly Investment Strategy Meeting (QISM) with the portfolio management teams. The research group is involved in a number of strategic conversations including the assessment of senior and workforce housing for the U.S. fund platform.

Frank said that Research group's current market outlook is for a strong economy and strong real estate fundamentals. However, they are cautious on the capital markets, especially rising interest rates. The research team's views have supported more portfolio interest in short term leases like apartments where rent rolls assist net operating income growth.

Frank also discussed research related to micro locations in one of their tactical markets which assisted in the acquisition of an industrial asset by PRISA I. Outside of this property's micro location, the macro market would not be an attractive area for industrial investment.

Ron then reviewed PGIM Real Estate's IT environment. PGIM Real Estate has 25 IT employees and 11 consultants, supported by Prudential who has 3,900 IT professionals with 2,400 located in the US. Ron provided a high-level review of the applications used as part of their business as well as their standard security review/audit process that is completed each year for PGIM RE's vendors.

The meeting was concluded by Ellen Burkhart, who provided a review of their business continuity plan and a tour of their Madison office headquarters for PGIM Real Estate.

We found no due diligence concerns and concluded our meeting at approximately 1:00 pm.

Respectfully submitted,

Robert Bianchi
Mike Sedell
Dan Gallagher