

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

JULY 1, 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.
II.	<u>APPROVAL OF AGENDA</u>	1 – 3
III.	<u>APPROVAL OF MINUTES</u>	
	A. Disability Meeting of June 3, 2019.	4 – 10
	B. Business Meeting of June 17, 2019.	11 – 17
IV.	<u>RECEIVE AND FILE PENDING DISABILITY APPLICATION STATUS REPORT</u>	18 – 47
V.	<u>APPLICATIONS FOR DISABILITY RETIREMENT</u>	
	A. Application for Service-connected Disability Retirement - Dilley, Brian D.; Case No. 16-012.	48 – 93
	1. Application for Service-connected Disability Retirement, filed March 16, 2016.	
	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 June 17, 2019.	
	3. Hearing Notice, dated June 19, 2019.	

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VI. OLD BUSINESS

None.

VII. NEW BUSINESS

- A. Report & Recommendation on PEPRA Pensionable Compensation Analysis for Pay Codes Implemented Since October 22, 2018.
RECOMMENDED ACTION: Approve.
 - 1. Staff Letter, with Pay Code Analysis. 94 – 95
- B. Trustee Input on Pending VCERA 2019-20 Business Plan.
 - 1. Staff Letter. 96
 - 2. 2018-19 Business Plan. 97 – 105
- C. Periodic Review of Board Policies: Business Planning, Portable Electronic Mobile Devices and Education and Travel.
 - 1. Business Planning Policy.
RECOMMENDED ACTION: Approve with No Change.
 - a. Staff Letter. 106
 - b. Current Business Planning Policy. 107 – 108
 - 2. Portable Electronic Mobile Devices Policy.
RECOMMENDED ACTION: Approve.
 - a. Staff Letter. 109
 - b. Proposed Portable Electronic Mobile Devices Policy (Redline). 110 – 112
 - c. Proposed Portable Electronic Mobile Devices Policy (Clean). 113 – 115
 - 3. Education and Travel Policy.
RECOMMENDED ACTION: Review and Provide Direction.
 - a. Staff Letter. 116 – 120
 - b. Current Educational and Travel Policy. 121 – 128
- D. Report on Due Diligence Visit to State Street Bank, Submitted by C.I.O., Dan Gallagher and C.F.O., Henry Solis.
RECOMMENDED ACTION: Receive and file. 129 – 136

VIII. INFORMATIONAL

- A. Budget Update for Fiscal Year 2018-19 for Investment Legal Costs.
 - 1. Staff Letter by C.I.O., Dan Gallagher. 137

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

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

JUNE 3, 2019

MINUTES

**TRUSTEES
PRESENT:**

William W. Wilson, Chair, Public Member
Robert Bianchi, Vice-Chair, Public Member
Steven Hintz, Treasurer-Tax Collector
Mike Sedell, Public Member
Dan Shapiro, General Member
Will Hoag, Alternate Retiree Member
Robert Ashby, Safety Member
Ed McCombs, Alternate Public Member

**TRUSTEES
ABSENT:**

Steve Bennett, Public Member
Arthur E. Goulet, Retiree Member
Craig Winter, General Member

**STAFF
PRESENT:**

Linda Webb, Retirement Administrator
Lori Nemiroff, General Counsel
Henry Solis, Chief Financial Officer
Leah Oliver, Chief Technology Officer
Shalini Nunna, Retirement Benefits Manager
Donna Edwards, Retirement Benefits Specialist
Nancy Jensen, Retirement Benefits Specialist
Chris Ayala, Program Assistant
Shalaine Nolan, 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.

**BOARD OF RETIREMENT
DISABILITY MEETING**

JUNE 3, 2019

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ITEM:

I. CALL TO ORDER

Chair Wilson called the Disability Meeting of June 3, 2019 to order at 9:02 a.m.

II. APPROVAL OF AGENDA

MOTION: Approve.

Moved by Hintz, seconded by Shapiro.

Vote: Motion carried

Yes: Ashby, Bianchi, Hintz, McCombs, Sedell, Shapiro, Wilson

No: -

Absent: Bennett, Goulet, Winter

Abstain: -

III. APPROVAL OF MINUTES

A. Business Meeting of May 20, 2019.

Trustee Sedell said he noticed that the minutes showed Trustee Bennett as voting while absent during a few votes. He believed the minutes needed to be clarified.

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

MOTION: Approve with Corrections.

Moved by Sedell, seconded by Hintz.

Vote: Motion carried

Yes: Ashby, Bianchi, Hintz, McCombs, Sedell, Shapiro, Wilson

No: -

Absent: Bennett, Goulet, Winter

Abstain: -

IV. RECEIVE AND FILE PENDING DISABILITY APPLICATION STATUS REPORT

MOTION: Receive and File.

Moved by Bianchi, seconded by Shapiro.

Vote: Motion carried

Yes: Ashby, Bianchi, Hintz, McCombs, Sedell, Shapiro, Wilson

No: -

Absent: Bennett, Goulet, Winter

Abstain: -

V. APPLICATIONS FOR DISABILITY RETIREMENT

**BOARD OF RETIREMENT
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- A. Application for Service-connected Disability Retirement - Hallinan, Daniel J.; Case No. 16-022.
1. Application for Service-connected Disability Retirement, filed July 20, 2016.
 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 May 20, 2019.
 3. Hearing Notice, dated May 21, 2019.

Catherine Laveau was present on behalf of County of Ventura, Risk Management. Ron Christensen, Attorney at Law, was present on behalf of Daniel J. Hallinan, who was also present.

Both parties declined to make statements.

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

Moved by Sedell, seconded by Bianchi.

Vote: Motion carried

Yes: Ashby, Bianchi, Hintz, McCombs, Sedell, Shapiro, Wilson

No: -

Absent: Bennett, Goulet, Winter

Abstain: -

Both parties agreed to waive preparation of findings of fact and conclusions of law.

- B. Application for Service-connected Disability Retirement - Goodrich, Daniel B.; Case No. 17-010.
1. Application for Service-connected Disability Retirement, filed May 16, 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 May 10, 2019.
 3. Hearing Notice, dated May 21, 2019.

Stephen D. Roberson was present on behalf of County of Ventura, Risk Management. Ron Christensen, Attorney at Law, was present on behalf of Daniel B. Goodrich, who was also present.

Both parties declined to make statements.

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

Moved by Bianchi, seconded by Shapiro.

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Vote: Motion carried

Yes: Ashby, Bianchi, Hintz, McCombs, Sedell, Shapiro, Wilson

No: -

Absent: Bennett, Goulet, Winter

Abstain: -

Both parties agreed to waive preparation of findings of fact and conclusions of law.

C. Application for Service-connected Disability Retirement - Turner, Matthew J.;
Case No. 18-026.

1. Application for Service-connected Disability Retirement, filed October 24, 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 May 14, 2019.
3. Hearing Notice, dated May 17, 2019.

Catherine Laveau was present on behalf of County of Ventura, Risk Management. The applicant, Matthew J. Turner, was also present.

Both parties declined to make statements.

Ms. Edwards noted that if the applicant's disability case were to be approved, the Board would need to determine the effective date of the disability retirement. Ms. Edwards explained that staff would support an earlier effective date of the application, as the delay in filing was due to the County of Ventura spending considerable time trying to find an alternative position that could accommodate the Applicant's work restrictions and for which he qualified.

Ms. Nemiroff asked Ms. Laveau if Risk Management agreed that the facts in the case supported a determination that the Applicant's delay in filing the disability retirement application was due to administrative oversight, such that the Board could deem the application filed on the day following the date the member last received regular compensation. Ms. Laveau said yes, and that Risk Management concurred with this determination.

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

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

Moved by Sedell, seconded by Shapiro.

Vote: Motion carried

Yes: Ashby, Bianchi, Hintz, McCombs, Sedell, Shapiro, Wilson

No: -

Absent: Bennett, Goulet, Winter

Abstain: -

Both parties agreed to waive preparation of findings of fact and conclusions of law.

- D. Application for Service-connected Disability Retirement - Delpit, Danielle I.; Case No. 19-003.
1. Application for Service-connected Disability Retirement, filed January 25, 2019.
 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 May 14, 2019.
 3. Hearing Notice, dated May 17, 2019.

Catherine Laveau was present on behalf of County of Ventura, Risk Management. The applicant, Danielle I. Delpit, was also present.

The applicant declined to make a statement.

Ms. Laveau said that the applicant's physician, Dr. Bergenstal, issued an additional opinion after Risk Management submitted its report to VCERA. She read the physician's statement into the record for the Board's consideration: "In response to your inquiry on May 17, 2019, it is my opinion that Ms. Delpit's not taking psychotropic medication did not alter her capacity to return to work as a Deputy Sheriff."

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

Moved by Bianchi, seconded by Sedell.

Vote: Motion carried

Yes: Ashby, Bianchi, Hintz, McCombs, Sedell, Shapiro, Wilson

No: -

Absent: Bennett, Goulet, Winter

Abstain: -

Both parties agreed to waive preparation of findings of fact and conclusions of law.

VI. OLD BUSINESS

- A. Carmen M. Gonzalez, Application for Service-Connected Disability Retirement: Notice of Distribution of Transcript of Testimony and Other Evidence Received by Appointed Hearing Officer for Board Consideration and Action at Hearing Set for September 2, 2019, Pursuant to Government Code Section 31534(b).
Recommended Action: Receive and File.

1. Staff Letter.
2. Administrative Record for Carmen M. Gonzalez.

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Ms. Webb said that at the Disability & Business Meeting on April 15, 2019, the Board voted to review the administrative record for Ms. Gonzalez. Due to the size of the case file, staff had made it available to the Board electronically to ensure ample time to review the file before the disability meeting in September 2019.

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

MOTION: Receive and File.

Moved by Hintz, seconded by Bianchi.

Vote: Motion carried

Yes: Ashby, Bianchi, Hintz, McCombs, Sedell, Shapiro, Wilson

No: -

Absent: Bennett, Goulet, Winter

Abstain: -

VII. NEW BUSINESS

A. Renewal of Hearing Officer Contracts.
RECOMMENDED ACTION: Approve.

1. Staff Letter.
2. Proposed Contract.

Ms. Webb said that staff believed the list of hearing officers recommended for contract renewal was sufficient for VCERA's needs in the coming year.

Trustee Hintz remarked that a retiring colleague was interested in serving as a hearing officer for VCERA. He asked if the Board might reconsider its policy requiring hearing officers to have an active California State Bar license, which may exclude former Superior Court judges from being able to serve.

Ms. Nemiroff said the licensing requirement was part of VCERA's hearing officer contracts and a common practice among retirement boards, although it was not a bylaws issue. She did not know if having an active State Bar license was legally required of hearing officers, but she would research the issue.

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

MOTION: Approve the Renewal of Hearing Officer Contracts for the Officers Listed.

Moved by Sedell, seconded by Shapiro.

Vote: Motion carried

Yes: Ashby, Bianchi, Hintz, McCombs, Sedell, Shapiro, Wilson

No: -

Absent: Bennett, Goulet, Winter

Abstain: -

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VIII. INFORMATIONAL

None.

IX. PUBLIC COMMENT

None.

X. STAFF COMMENT

Ms. Webb said that staff planned to propose edits to the Education & Travel Policy at the June 17, 2019 Business Meeting. She also noted that Mr. Towner's Civil Service Commission proceedings had concluded, and a decision would likely be issued mid-June.

XI. BOARD MEMBER COMMENT

None.

XII. ADJOURNMENT

The meeting was adjourned at 9:20 a.m.

Respectfully submitted,



LINDA WEBB, Retirement Administrator

Approved,

WILLIAM W. WILSON, Chairman

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

JUNE 17, 2019

MINUTES

TRUSTEES
PRESENT: William W. Wilson, Chair, Public Member
Robert Bianchi, Vice-Chair, Public Member
Steve Bennett, Public Member
Dan Shapiro, General Member
Arthur E. Goulet, Retiree Member
Will Hoag, Alternate Retiree Member
Robert Ashby, Safety Member

TRUSTEES
ABSENT: Steven Hintz, Treasurer-Tax Collector
Mike Sedell, Public Member
Craig Winter, General Member
Ed McCombs, Alternate Public Member

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

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

TIME: 9:00 a.m.

**BOARD OF RETIREMENT
BUSINESS MEETING**

JUNE 17, 2019

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ITEM:

I. CALL TO ORDER

Chair Wilson called the Business Meeting of June 17, 2019 to order at 9:01 a.m.

II. APPROVAL OF AGENDA

MOTION: Approve.

Moved by Bianchi, seconded by Goulet.

Vote: Motion carried

Yes: Ashby, Bianchi, Goulet, Shapiro, Wilson

No: -

Absent: Bennett, Hintz, McCombs, Sedell, Winter

Abstain: -

III. APPROVAL OF MINUTES

A. Disability Meeting of June 3, 2019

MOTION: Approve.

Moved by Bianchi, seconded by Shapiro.

Vote: Motion failed, due to lack of quorum voting.

Yes: Ashby, Bianchi, Shapiro, Wilson

No: -

Absent: Bennett, Hintz, McCombs, Sedell, Winter

Abstain: Goulet

Trustee Goulet said he abstained because he was not present at the June 3, 2019 meeting.

IV. CONSENT AGENDA

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

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

C. Receive and File Budget Summary for FY 2018-19 Month Ending May 31, 2019.

D. Receive and File Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Schedule of Investments, Cash and Cash Equivalents, and Schedule of Investment Management Fees for the Period Ending May 31, 2019.

MOTION: Receive and File.

Moved by Goulet, seconded by Ashby.

Vote: Motion carried

Yes: Ashby, Bianchi, Goulet, Shapiro, Wilson

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No: -
Absent: Bennett, Hintz, McCombs, Sedell, Winter
Abstain: -

V. INVESTMENT MANAGER PRESENTATIONS

A. Receive Annual Investment Presentation from Parametric, Justin Henne.

Justin Henne was present on behalf of Parametric to provide an organizational and investment performance update.

Trustee Bennett arrived at 9:16 a.m.

VI. INVESTMENT INFORMATION

NEPC – Tony Ferrara.
VCERA – Dan Gallagher, Chief Investment Officer.

A. Request to Approve BlueBay's Private Debt Business Spin-Out.
RECOMMENDED ACTION: Approve.

1. Staff Letter by C.I.O., Dan Gallagher.
2. Memorandum from NEPC.
3. Press Release.

Mr. Gallagher believed the biggest risk to the spin-out would be if BlueBay did not make or purchase good loans, though the investor's eight-year track record in private credit had been very good.

Mr. Ferrara said the BlueBay spin-out will keep its loan-making investment team together while properly incentivizing team members and providing them with business autonomy.

Trustee Bennett said the proposal was a small experiment in VCERA exploring the alternative investment market, and there appeared to be reasonable safeguards.

Chair Wilson said the BlueBay spin-out would take VCERA into the private debt market, which NEPC had been recommending to the Board for a long time.

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

MOTION: Approve Consent to BlueBay's Private Debt Business Spin-Out as a New Entity, and Authorize the Board Chair or Retirement Administrator to Execute the Enabling Documents When They Became Available.

Moved by Shapiro, seconded by Bianchi.

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

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Abstain: -

- B. Preliminary Performance Report for Month Ending May 31, 2019.
RECOMMENDED ACTION: Receive and File.

Mr. Ferrara observed that December 2018 and May 2019 were difficult months for investors; he did not expect VCERA to reach its 7.25% assumed rate in this fiscal year. He noted that buying insurance to guard against a downturn is expensive and that diversification is key to meeting investment objectives.

Mr. Gallagher added that VCERA is trying to expand its value managers, including hiring the best managers for its private debt allocation.

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

MOTION: Receive and File.

Moved by Bennett, seconded by Shapiro.

Vote: Motion carried

Yes: Ashby, Bennett, Bianchi, Goulet, Shapiro, Wilson

No: -

Absent: Hintz, McCombs, Sedell, Winter

Abstain: -

VII. OLD BUSINESS

- A. Update to Budget with Positions Approved by Board.
RECOMMENDED ACTION: Receive and File.

1. Staff Letter by C.F.O., Henry Solis.
2. Adopted Budget.

Ms. Webb reminded the Board that at the May 20, 2019 Business Meeting, it had approved the fiscal year 2019-20 operating budget and directed staff to add two full-time equivalent positions, which had been withdrawn by staff, to the adopted budget. Staff was returning with an updated budget that included an additional appropriation for the new positions.

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

MOTION: Receive and File the Adopted 2019-20 Operating Budget.

Moved by Goulet, seconded by Bennett.

Vote: Motion carried

Yes: Ashby, Bennett, Bianchi, Goulet, Shapiro, Wilson

No: -

Absent: Hintz, McCombs, Sedell, Winter

Abstain: -

VIII. NEW BUSINESS

- A. Recommendation for Approval of Office Renovation Budget.
RECOMMENDED ACTION: Approve.

1. Staff Letter.
2. Projected Renovation Budget.

Ms. Webb introduced Anne Barronton of CBRE as the consulting project manager for the office renovation. She said that in the agenda materials, staff listed which renovation plan items were necessary and which were recommended upgrades, particularly in the area of technology. Ms. Webb noted that the updated renovation budget included contingency amounts. She also said that Trustee Goulet had provided questions and comments about the renovation budget over the weekend.

Trustee Goulet said that staff had answered most of his questions. He expressed dissatisfaction that the boardroom furniture would not be updated.

Ms. Webb replied that boardroom furniture and technology would be upgraded to make the room more versatile, including hosting educational events for members. Also, she noted that staff had reserved the multi-purpose room at the Government Center to hold VCERA's Board meetings during the renovation.

Chair Wilson asked Ms. Barronton what potential problems she would help VCERA mitigate and how long the renovation project would last.

Ms. Barronton replied that she would establish and monitor the budget, mitigate legal risks with vendors and maintain the project schedule. She estimated that based on current information, the office renovation could be completed by the end of the calendar year.

Trustee Goulet expressed concern about the impact of U.S. tariffs on the renovation budget.

Ms. Webb said that staff inquired into this issue with the recommended contractor, but they did not identify additional project costs due to tariffs.

Trustee Bennett remarked that his priorities for the boardroom renovation were to improve audio-video technology and to make the room more functional.

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

MOTION: Approve the Recommended Project Cost Plan; Authorize the Retirement Administrator to Award the Construction Contract to the Lowest Responsible General Contractor and Issue a Joint Letter of Intent with M.F. Daily; and Authorize an Adjustment to the FY 2019-20 Budget to Increase Capitalized Structures to \$1,184,000.

Moved by Bianchi, seconded by Shapiro.

Vote: Motion carried

Yes: Ashby, Bennett, Bianchi, Goulet, Shapiro, Wilson

No: -

Absent: Hintz, McCombs, Sedell, Winter

**BOARD OF RETIREMENT
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Abstain: -

Ms. Webb added that staff welcomed Real Estate Committee members and any other trustee to monitor the progress of the renovation project.

B. Recommendation for Approval for Trustee Ashby to Attend the CALAPRS Principles of Pension Governance for Trustees, Pepperdine University, August 26 - 29, 2019.

RECOMMENDED ACTION: Approve.

1. Staff Letter.
2. CALAPRS Principles of Pension Governance for Trustees Packet.

Ms. Webb said the travel request for Trustee Ashby was to attend a course that was recommended for new trustees.

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

MOTION: Approve.

Moved by Bianchi, seconded by Goulet.

Vote: Motion carried

Yes: Ashby, Bennett, Bianchi, Goulet, Shapiro, Wilson

No: -

Absent: Hintz, McCombs, Sedell, Winter

Abstain: -

IX. INFORMATIONAL

X. PUBLIC COMMENT

None.

XI. STAFF COMMENT

Ms. Webb said that staff would soon present to the Board proposed revisions to its Education & Travel Policy. Staff also was developing a New Trustee Orientation video for new Board members. She said that she and Ms. Nemiroff had met last Friday with the County of Ventura to discuss the three remaining issues of disagreement regarding VCERA's Bylaws, as instructed by the Board, and she believed they had made moderate progress. She and Ms. Nemiroff had made an offer of compromise at the end of the meeting, which the County said they would consider and get back to VCERA.

XII. BOARD MEMBER COMMENT

Trustee Goulet noted that the Board had previously considered giving the County of Ventura a discount for early payment of its retirement contributions, and he would like the Board to have another discussion about the impact of such a discount on VCERA.

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Ms. Webb remarked that this issue had been examined by other CERL systems, including how quickly the funds could be deployed after receipt. She offered to request surveys from her CERL peers for the Board to consider.

Trustee Bennett was not sure how much VCERA would benefit from receiving an early contribution from the County of Ventura, but he noted that it would benefit the County.

Chair Wilson said the issue was one the Board needed to examine carefully. There would normally be a benefit to receiving the funds earlier, but there was also a risk because VCERA was committed to paying the assumption rate.

Trustee Shaprio informed the Board that on May 29, 2019, he received notice that he was being laid off from the Ventura County Health Care Agency due to cost-cutting measures. As a result, he believed it would be in the best interest of VCERA for him to resign his seat on the Board of Retirement, effective July 1, 2019, unless the Health Care Agency reversed its decision.

Chair Wilson thanked Trustee Shapiro for his service on the Board.

XIII. ADJOURNMENT

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

Respectfully submitted,



LINDA WEBB, Retirement Administrator

Approved,

WILLIAM W. WILSON, Chairman



July 1, 2019

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

SUBJECT: STAFF REPORT AND ANALYSIS OF ADDITIONAL PAY CODES UNDER PEPRA & BOARD RESOLUTION ON PENSIONABLE COMPENSATION

Dear Board Members:

Background

In October 2015, the VCERA Board of Retirement took action on pensionability of individual pay codes pursuant to its November 2014 resolution interpreting "pensionable compensation" under Government Code section 7522.34. That action identified pay codes to be included in, and excluded from, "pensionable compensation" applicable to VCERA members who first join the retirement system (without reciprocity) on or after January 1, 2013.

The Resolution further instructs that the Retirement Administrator is responsible for analyzing new pay codes to determine whether they constitute pensionable compensation or not under the Resolution, and later bring such determinations to the VCERA Board for action.

The last time the Board took action on pay codes was October 22, 2018. Since then, only four (4) codes have been added by the County of Ventura. (Ventura Regional Sanitation District (VRSD) confirmed that no new codes have been added since that date.)

Analysis Summary

Our analysis indicates that of these four (4) new codes, two (2) meet the criteria of pensionable compensation and two (2) do not. The attached page lists these codes with VCERA's analysis of whether the codes meet the criteria for pensionable compensation and the reason. The County of Ventura is in agreement regarding staff determinations.

RECOMMENDATION: APPROVE AND ADOPT STAFF RECOMMENDATIONS REGARDING THE INCLUSION IN OR EXCLUSION FROM PENSIONABLE COMPENSATION THE SPECIFIC PAY CODES PROVIDED, EFFECTIVE ON THE INITIAL DATES OF PAYMENT BY THE EMPLOYER, ADDING INCLUDED CODES TO ADDENDUMS TO THE BOARD RESOLUTION REGARDING PENSIONABLE COMPENSATION.

Sincerely,

Linda Webb
Retirement Administrator

Summary of New Code Analysis

COUNTY OF VENTURA			
Code	Description	Analysis	Reason
NDH	Natural Disaster Hourly Non-FLSA: Hill and Woolsey Fire	Meets Criteria	Included in normal monthly rate of pay
NDS	Natural Disaster Salary Non-FLSA: Hill and Woolsey Fire	Meets Criteria	Included in normal monthly rate of pay
B2P	Bilingual Level 2- PVP	Does Not Meet Criteria	Includable only if bilingualism is a regularly assigned normal or essential job function of an identifiable subgroup of similarly situated members within this group or class of employment.
B3P	Bilingual Level 3- PVP	Does Not Meet Criteria	Includable only if bilingualism is a regularly assigned normal or essential job function of an identifiable subgroup of similarly situated members within this group or class of employment.



July 1, 2019

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

SUBJECT: TRUSTEE INPUT ON PENDING VCERA 2019-20 BUSINESS PLAN

Dear Board Members:

The VCERA Business Planning Policy requires that the Retirement Administrator prepare an annual Business Plan to identify VCERA's risk exposure and recommend priority initiatives to be undertaken.

Staff welcomes input from the Board in advance of issuing the 2019-20 Business Plan for Board review, so that staff can align recommendations and initiatives with Board direction and priorities.

The 2018-19 Business Plan is provided for reference.

Staff will be happy to answer any questions at the July 1, 2019 disability meeting.

Sincerely,

Linda Webb
Retirement Administrator

2018 -19 BUSINESS PLAN

Ventura County Employees' Retirement Association



**1190 S. Victoria, Suite 200
Ventura, CA 93003**

Introduction

On an annual basis, VCERA adopts a one-year business plan which is drafted by the Retirement Administrator and reviewed and adopted by the Board of Retirement. The broad purpose of the business plan is to identify, manage and mitigate organizational risks, while advancing the strategic goals of VCERA, through a formal process. The specific requirements of the formal document are defined in VCERA's Business Planning Policy, and this document was developed in adherence to that policy.

Progress from Previous Year's Business Plan

Over the past year, VCERA has seen a variety of changes and successfully met significant organizational challenges. The Board and staff made significant progress with the objectives that were established in the 2017-2018 business plan.

The following shows the scale that was used to determine both priority and time horizon and the current status of these objectives.

- Priority #1: to be accomplished within the next year
- Priority #2: to be accomplished within a 2-3 year period
- Priority #3: to be accomplished within a 5-year period

Funding:

Objective #1: Continued Improvement of Funded Ratio (**Priority #3**) – **ON TRACK; ONGOING.**
VCERA's funded status, the ratio of valuation value of assets to accrued liabilities, is 86.9% as of June 30, 2017, an improvement of 2.0% since June 30, 2016.

Investments:

Objective #1: Continue to build out VCERA's private equity allocation by identifying and accessing top tier private investments managers. (**Priority #2/#3**) - **ON TRACK; ONGOING.**
VCERA continues to identify and commit to top tier private investment managers. In 2017, VCERA achieved its commitment target of \$150 million, and thus far in 2018 is on pace to meet or exceed the 2018 vintage year pacing target.

Objective #2: Increase risk-adjusted returns through optimization of asset class structures and manager selection by reassessing the portfolio's positioning via an Asset Liability and Asset Allocation study. (**Priority #2**) - **ON TRACK; ONGOING.**
VCERA adopted a revised asset allocation, increasing the portfolio's expected investment return. An implementation plan has been adopted, and VCERA is rolling out the first phase of its implementation.

General Administration:

Objective #1: Secure optimal classifications for Technology Officer and Communications Manager positions, filling those vacancies with qualified employees. **(Priority #1) – NEARING COMPLETION**
Both classifications have been secured and staff is working with County HR on recruitment efforts.

Objective #2: Working with Board-appointed committee, identify future office space for VCERA and if necessary, develop moving plan that minimizes service disruptions. **(Priority #2) - ON TRACK; ONGOING.**

This is progressing satisfactorily, with locations narrowed to two; anticipate final recommendation to Board in September 2018.

Benefit Administration:

Objective #1: Work with County Auditor-Controller's Office to Accelerate Correction Process **(Priority #1) – ONGOING**

Progress on this objective has been accomplished; however, other factors have contributed to delays and complications. See Supplemental Risk Assessment for additional information.

Governance & Fiduciary:

Objective #1: Develop Long-Term Operational Compliance Program **(Priority #3) – MINIMAL PROGRESS**

This process is still in the initial assessment stages, though in the area of Information Technology, some new processes have been implemented to increase security and streamline the procedures for granting and removing access. Both the new Chief Technology Officer and the Communications Officer will be involved in ongoing efforts, in coordination with the CFO, COO, Retirement Administrator and General Counsel.

Technology:

Objective #1: Fill Vacant Technology Officer Position **(Priority #1) – PENDING COMPLETION**
VCERA's Chief Technology Officer (CTO) position vacancy should be filled in the coming 2-3 months.

Objective #2: Pursue Co-Development Opportunities with Current Vendor to Increase Independence and Reduce Costs. **(Priority #1/#2) – PAUSED PENDING CTO HIRING**
The hiring of the new CTO is necessary before proceeding with these efforts.

Objective #3: Complete the launch of the Member Self-Service (MSS) Portal, establishing additional security measures to protect member data. **(Priority #1) – PENDING COMPLETION**
The enhancements developed in advance of the launch of Member Self-Service (MSS) were submitted and testing is nearly complete. A comprehensive launch plan is in place for when all issues are resolved.

Communication & Member Education:

Objective #1: Develop Comprehensive Member Education Program (**Priority #2**) - **PAUSED PENDING COMMUNICATIONS OFFICER HIRING**

While VCERA has produced a Member Handbook and launched a new website, ultimately the Communications Officer will be responsible for building this program, under the supervision of the Retirement Administrator.

Current Risk Assessment

In order to fulfill VCERA's mission, staff has identified the following risks, challenges or areas for development, prioritized by Board direction and overall impact.

Funding (Perpetual):

- a) VCERA as a pension plan has an ongoing risk of increased actuarial liabilities.

Investments (Perpetual):

- a) Achieving VCERA's assumed rate of return;
- b) Market risk related to political and global events as they impact growth and asset pricing.

General Administration:

- a) Strain on service and continuity resulting from either an office move or renovation of current office space.
- b) Human capital risk, such as staff turnover through retirements or terminations.

Benefit Administration: CRITICAL

- a) The backlog of County payroll corrections and the complete suspension of programming changes of County payroll system (VCHRP), combined with diminished dedicated resources from the Auditor-Controller's office is an ongoing problem. The number of members impacted has risen, and errors continue to compound. The details of this risk are provided in the attached Supplemental Risk Assessment.

Governance & Fiduciary:

- a) The absence of a comprehensive agency-wide compliance program.
- b) Plan sponsor risk, as County decisions can potentially create risk for VCERA.

Legal/Legislative: (Perpetual)

- a) Potential legislative changes to the County Employees' Retirement Law (CERL) and the California Public Employees' Pension Reform Act (PEPRA).

Technology:

- a) Loss of continuity associated with hiring and onboarding of new Chief Technology Officer.

Communication & Member Education:

- a) Absence of a comprehensive member education program designed to increase member knowledge of their benefits, ease of navigation through processes and transactions, and long-term retirement planning.

2018-19 Business Plan Objectives

The following are the proposed business objectives for 2018-2019, using the same priority and timeline guidelines.

- Priority #1: to be accomplished within the next year
- Priority #2: to be accomplished within a 2-3 year period
- Priority #3: to be accomplished within a 5-year period

Funding:

Objective #1: Continued Improvement of Funded Ratio **(Priority #3)**

The Board and staff, in consultation with VCERA's actuary and investment consultant, to take prudent steps to minimize actuarial liabilities and maximize returns to continue upward trend in funded ratio.

Investments:

Objective #1: Commit approximately \$180 million across nine to twelve 2018 vintage-year private equity funds. **(Priority #1)**

Objective #2: Begin implementing the revised investment portfolio asset allocation adopted by the Board in May/June 2018. **(Priority #2)**

General Administration:

Objective #1: Complete hiring progress for CTO and Communications Officer, and successfully transition and onboard these new staff members. **(Priority #1) – CRITICAL**

Objective #2: Working with the Board-appointed committee and real estate vendor, secure office space for VCERA and if necessary, develop moving plan that minimizes service disruptions. **(Priority #1) – CRITICAL**

Objective #3: Examine and revise VCERA's disability hearing procedures. **(Priority #1, #2)**

Benefit Administration:

Objective #1: Work with County Auditor-Controller's Office to Accelerate Correction Process **(Priority #1, #2, #3) - CRITICAL**
See Supplemental Risk Assessment.

Governance & Fiduciary:

Objective #1: Develop Long-Term Operational Compliance Program **(Priority #3)**

As a long term strategic goal, identify areas of vulnerability and future risk, and establish an overall plan for ongoing operational compliance.

Technology:

Objective #1: Fill Vacant Technology Officer Position (Priority #1)

See Objective #2 above under “General Administration.”

Objective #2: Explore Opportunities with Current Vendor to Increase Independence and Reduce Costs. (Priority #2/#3)

Once the CTO position is filled, VCERA should work towards less reliance on the contracted vendor, and begin the process of co-development for future needs and enhancements.

Objective #3: Complete the launch of the Member Self-Service (MSS) Portal with incorporated enhancements developed since the previous year. (Priority #1)

Communication & Member Education:

Objective #1: Develop Comprehensive Member Education Program (Priority #2)

Upon the classification, recruitment and hiring of an employee for the vacant communications position, broaden VCERA’s member communication effort to include expanded website, seminar program and regular newsletter publication. Future additions would also potentially include video content.

Summary

VCERA has made significant progress on the majority of the 2017-2018 Business Plan objectives. The long-term multi-year and/or perpetual goals are generally on track, with the exception of the Long-Term Compliance Program which has been sidelined in favor of more pressing priorities. Most short-term goals are nearing completion, with some related to the pending hiring of two key staff members.

The notable and impactful exception is the V3 data issue mentioned in the Risk Assessment, described in detail in the Supplemental Risk Assessment.

Overall, VCERA is making progress in the areas of communication, training, member service and strategic planning. We believe the objectives set for the coming year are reasonable and achievable in the timetable identified, insofar as progress and resolution are within our control.

**2018-2019 BUSINESS PLAN
SUPPLEMENTAL RISK ASSESSMENT
RELATED TO DATA INTEGRITY OBJECTIVE**

A long-standing risk that bears further explanation is the area of resolving data issues in the V3 system in coordination with the County Auditor-Controller's Office. Put simply, the accumulation of errors is outpacing the correction process, resulting in a steadily worsening data integrity problem.

Communication and cooperation with A-C staff has seen marked improvement with the arrival of Chief Deputy Amy Herron. VCERA staff has been working with Ms. Herron and her team in an effort to address the backlog of corrections, but the A-C does not have the capacity to address them at this time. Therefore, the efforts have effectively **slowed** the error accumulation, as distinguished from stopping and reversing the problem. This supplemental assessment is intended to explain the contributing factors.

This issue has become more concerning over the last 12-18 months, based on 2 key reasons by our assessment:

- 1) VCHRP System Upgrade – Because the County's system has been involved in the preparation and execution of a system upgrade, this has triggered the complete suspension of programming changes. Therefore, nearly all identified issues that are still triggering data issues/errors in the bi-weekly transmittal (and therefore V3) are continuing virtually unchecked and are simply documented as they accumulate. The preparation for this upgrade began in late 2017 and formally began in January 2018. Ms. Herron reports the system upgrade is scheduled to go live in January 2019 and is currently on schedule.
- 2) Resources – Recently, the A-C office secured had a new budgeted position, but this is not likely to have considerable impact for some time given the hiring and onboarding burden that must be accomplished first.

In an attempt to generate traction in the area of corrections, VCERA has engaged Louise Webster on a part-time basis (approximately 4 days per bi-week) since shortly after Go-Live. Her work in analyzing the incoming transmittal and educating VCERA staff on how to interpret it has been invaluable, but perhaps most valuable is her work in preparing correction files for the A-C staff to run.

As for the data issues themselves, they involve several components:

- Backlog of corrections pre-dating the V3 project and conversion;
- Data-only corrections related to programming fixes done before the VCHRP programming "freeze" that is currently in place. Specifically, situations in which the initial programming issue that caused the errors has been resolved, but the related data cleanup/correction process for data impacted prior to the fix is still outstanding.
- Data issues occurring with each bi-weekly transmittal as a result of already-identified programming issues that will not be addressed until the VCHRP system upgrade process is complete, the date for which is unknown.

While these range from errors related to individual members to larger groups of employees, the overall impact is that, over time, more members' data is impacted. It is important to note that some corrections are attributable to PEPRA and inclusion/exclusion of certain codes as a result of Board action. While most of these cannot be categorized as "errors", they still constitute a backlog of data work still pending completion.

While VCERA's business operations continue, staff spends additional time on transactions where members are impacted by the outstanding corrections. Further, because most of the corrections impact employee and employer contributions, it poses an additional risk to the integrity of VCERA's financial information, interfering with the reconciliation of member records as a whole.

During the Board's "dark" period in the month of August, staff will be meeting with the Auditor-Controller and CEO's staff in an effort to formulate a strategy to accomplish a collaborative data cleanup effort.



July 1, 2019

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

SUBJECT: PERIODIC REVIEW OF BUSINESS PLANNING POLICY

Dear Board Members:

As part of the Board Policy Development Process, each Board policy is to be formally reviewed at the time specified within each policy. The cyclical review of the Business Planning Policy is due for review.

Staff has no recommended changes to this policy at this time.

RECOMMENDATION: REVIEW AND APPROVED BUSINESS PLANNING POLICY WITH NO CHANGES.

Staff will be happy to answer any questions at the July 1, 2019 disability meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Webb", written in a cursive style.

Linda Webb
Retirement Administrator

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BUSINESS PLANNING POLICY

I. Background and Objectives

- 1) Given the complex environment in which it operates, VCERA faces myriad risks that could impact its operations. The Board is committed to identifying, understanding, and managing such risks through a formal business planning process.

The Board has developed this policy to provide broad guidance to the Board and the Retirement Administrator in this regard.

II. Policy Guidelines

- 2) As input into the Business Plan, the Retirement Administrator and staff will develop a business planning framework identifying:
 - a) The broad categories of risk that affect VCERA;
 - b) Significant risks that exist within each category;
 - c) Potential means to address each risk (e.g. new systems, policies, or other special projects);
 - d) An assessment of the extent to which VCERA has already implemented the above means.
- 3) The broad categories of risk referred to above will, at a minimum, include the following:
 - a) Funding;
 - b) Investments;
 - c) Benefit Administration; and
 - d) Governance and Fiduciary Risk.
- 4) Based on the above framework, the Retirement Administrator will prepare a Business Plan containing at a minimum:

*VCERA
Business Planning Policy*

- a) A summary of progress related to the previous year's business plan;
 - b) An assessment of VCERA's risk exposure from a business perspective;
 - c) A list of the priority initiatives to be undertaken to address VCERA's most significant areas of risk exposure (these should generally not exceed 2-3 initiatives);
 - d) An estimated timeline for completing the priority initiatives;
 - e) The parties responsible for completing the initiatives; and
 - f) The resources necessary to undertake the initiative, and any significant budgetary impact.
- 5) At the beginning of each fiscal year, the Retirement Administrator will review and update the business planning framework and the Business Plan, and present them to the Board for discussion.

III. Policy Review

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

IV. Policy History

- 7) The Board last reviewed and approved this policy on July 2, 2018. The Board previously approved this policy on June 15, 2015 and June 18, 2012. The Board originally adopted this policy on June 2, 2003.



July 1, 2019

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

SUBJECT: PERIODIC REVIEW OF BOARD PORTABLE ELECTRONIC (MOBILE) DEVICE POLICY

Dear Board Members:

As part of the Board Policy Development Process, each Board policy is to be formally reviewed at the time specified within each policy. The cyclical review of the policy regarding mobile devices is due for review.

VCERA's Chief Technology Officer (CTO) has reviewed our policy in depth and proposed several changes to make the policy stronger. Note that one of the changes is to rename the policy as "Mobile Device Policy" rather than "Portable Electronic Device Policy." Both the Retirement Administrator and General Counsel has reviewed the CTO's proposed changes and are in agreement with them.

RECOMMENDATION: APPROVE PROPOSED CHANGES TO THE PORTABLE ELECTRONIC (MOBILE) DEVICE POLICY.

Staff will be happy to answer any questions at the July 1, 2019 disability meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Webb", written in a cursive style.

Linda Webb
Retirement Administrator

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

~~PORTABLE ELECTRONIC~~MOBILE DEVICE POLICY

I. Definitions

1) For purposes of this policy, "~~portable electronic~~mobile devices" are defined to include laptops, cellular phones, ~~personal digital assistant~~tablets, Kindles, eReaders, iPads or any other ~~electronic mobile~~ device capable ~~of displaying data or images~~connecting to the Internet to access VCERA and County of Ventura email and data.

~~1) —.~~

II. Purpose and Objectives

2) This policy is intended to set forth the authorization and limitations of use of Ventura County Employees' Retirement Association (VCERA) ~~portable electronic~~mobile devices and personal devices that have County of Ventura email and VCERA data present.

~~2)3)~~ This policy is not intended to address usage of USB sticks, DVDs, CDs, external hard drives or other forms of portable data storage.

III. Scope

~~3)4)~~ These guidelines apply to all ~~Board members~~ and staff members.

IV. Background

~~4)5)~~ Board packet material is extensive. The copying, delivering and producing of the packet material is expensive and not in line with environmental practices of VCERA. VCERA makes available an electronic PDF version of the monthly board packet and ~~would like to facilitate the~~provides offsite access and usage of the electronic version by allowing ~~board~~ Board and staff members to use ~~portable electronic~~mobile devices to retrieve, store, edit and read the electronic board packet.

~~5)6)~~ ~~Portable electronic~~Mobile devices are a security risk because, ~~being portable, they~~ are at risk for loss, theft, or other unauthorized access, and ~~they~~ may contain confidential or privileged VCERA information, including, without limitation, private member and beneficiary information, member health records (HIPPA data), as well as confidential and proprietary information of alternative investment managers.

7) ~~Portable electronic~~Personal mobile devices may be more vulnerable to malware, viruses and other such threats because the user may not regularly use virus protection software and other safeguards available to VCERA's desktop computers.

VCERA
Assigned Portable Electronic Device Policy

~~6~~8) Personal mobile devices may be more vulnerable to unauthorized access because the user is required to manually configure passwords or security codes on their device(s).

~~7~~9) Email and other written communications by VCERA Board and staff members discussing or otherwise conducting VCERA business constitute public records that are subject to inspection unless protected by the California Public Records Act from disclosure. If personal devices are used for official communications, as the California Supreme Court concluded in the 2017 *City of San Jose v. Superior Court* decision, VCERA Board and staff members will be required timely to respond to requests for their email communications regarding VCERA business in response to any California Public Records Act requests for such communications.

V. Guidelines

~~8~~10) Privacy: Board ~~members~~ and staff ~~members~~ understand that their authorization to use VCERA assigned ~~portable electronic mobile~~ devices, ~~associated equipment and software is~~ are for the primary purpose of conducting VCERA business. Board ~~members~~ and staff ~~members~~ further understand that they have no expectation of privacy with regard to their use of such devices.

~~9~~11) ~~Routine Maintenance~~ Security Patching, Upgrades, Routine Maintenance or Repair: Board ~~Members~~ and staff ~~members~~ understand that VCERA could require that assigned devices be returned to the office for ~~routine maintenance, security patching, upgrades, routine maintenance or repair, and~~ to ensure that ~~they devices~~ are being used only in a manner that is consistent with these policies. Board and staff members are responsible for immediately contacting the VCERA Chief Technology Officer, should any suspected malicious activity or breach of passwords occur. If deemed necessary, the device must be surrendered to the Chief Technology Officer for further review.

~~10~~12) Loss or Theft and Data Backups: Board ~~members~~ and staff ~~members~~ who have an assigned ~~portable electronic mobile~~ device are responsible for the security of the device, all associated equipment and all data. Board ~~members~~ and staff ~~members~~ must report any lost or stolen ~~portable electronic equipment device~~, or data, to the ~~Retirement Administrator or Technology Services Manager~~ Chief Technology Officer as soon as discovered. All uUsers are responsible for ~~back up of any~~ backing up personal data stored on the ~~portable electronic assigned mobile~~ device. Should a personal device, configured with County of Ventura email or VCERA data be lost or stolen, users must inform the Chief Technology Officer immediately.

~~11~~13) Password/Security Code: ~~Assigned portable electronic devices~~ All VCERA assigned mobile devices must ~~shall~~ use, at a minimum, a four-digit security code or 8-character password for access. Personal mobile devices that have County of Ventura email or VCERA data on them, must use, at a minimum a four-digit security code or password for access.

VCERA
Assigned Portable Electronic Device Policy

- ~~12)~~14) Auto-Lock: ~~Assigned portable electronic devices~~All VCERA assigned mobile devices must automatically lock after a maximum of 10 minutes of inactivity and require entry of a security code or password to unlock for use. ~~Personal mobile devices that have County of Ventura email or VCERA data on them, must automatically lock after a maximum of 10 minutes of inactivity and require entry of a security code or password to unlock for use.~~

- 15) Management Software: ~~When a~~Assigned portable electronic mobile devices may have management software installed for enforcing policies, ~~deploying updates and new software,~~ and identifying device location. ~~Board members and staff members understand such software may not be tampered with,~~ uninstalled or disabled.

- ~~13)~~16) County of Ventura Email and VCERA Data on Personal Devices: ~~Personal mobile devices configured with County of Ventura email or VCERA data are subject remote wiping of business email and data or the entire contents of the mobile device. Board and staff members understand that every attempt will be made to contact the user before this occurs, but in the event of a significant security breach or threat, this may not be the possible.~~

- ~~14)~~17) Return Prior to Separation: Board ~~members~~ and staff ~~members~~ will return ~~the all~~ assigned portable mobile electronic device(s) prior to separation of VCERA service and remove all personal accounts, data and passwords. ~~Board and staff members will be required to provide user account information should personal account and passwords not be removed from the device.~~

VI. Process Review

- ~~15)~~18) The ~~Chief Technology Officer Board~~ will review the ~~Assigned Portable Electronic Mobile~~ Device Policy at least once every three (3) years to ensure that it remains relevant and appropriate ~~and present to the Board for approval.~~

VII. Process History

- ~~16)~~19) The ~~Chief Technology Officer last reviewed this policy on June 26, 2019.~~ The Board last reviewed and approved this policy on July ~~21, 2018~~2019. The Board previously approved this policy on June 15, ~~2015~~2018. The Board originally adopted this policy on June 18, 2012.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

MOBILE DEVICE POLICY

I. Definitions

- 1) For purposes of this policy, "mobile devices" are defined to include laptops, cellular phones, tablets, Kindles, eReaders, iPads or any other mobile device capable connecting to the Internet to access VCERA and County of Ventura email and data.

II. Purpose and Objectives

- 2) This policy is intended to set forth the authorization and limitations of use of Ventura County Employees' Retirement Association (VCERA) mobile devices and personal devices that have County of Ventura email and VCERA data present.
- 3) This policy is not intended to address usage of USB sticks, DVDs, CDs, external hard drives or other forms of portable data storage.

III. Scope

- 4) These guidelines apply to all Board and staff members.

IV. Background

- 5) Board packet material is extensive. The copying, delivering and producing of the packet material is expensive and not in line with environmental practices of VCERA. VCERA makes available an electronic PDF version of the monthly board packet and provides offsite access and usage of the electronic version by allowing Board and staff members to use mobile devices to retrieve, store, edit and read the electronic board packet.
- 6) Mobile devices are a security risk because, they are at risk for loss, theft, or other unauthorized access, and may contain confidential or privileged VCERA information, including, without limitation, private member and beneficiary information, member health records (HIPPA data), as well as confidential and proprietary information of alternative investment managers.
- 7) Personal mobile devices may be more vulnerable to malware, viruses and other such threats because the user may not regularly use virus protection software and other safeguards available to VCERA's desktop computers.
- 8) Personal mobile devices may be more vulnerable to unauthorized access because the user is required to manually configure passwords or security codes on their device(s).

VCERA
Assigned Portable Electronic Device Policy

- 9) Email and other written communications by VCERA Board and staff members discussing or otherwise conducting VCERA business constitute public records that are subject to inspection unless protected by the California Public Records Act from disclosure. If personal devices are used for official communications, as the California Supreme Court concluded in the 2017 *City of San Jose v. Superior Court* decision, VCERA Board and staff members will be required timely to respond to requests for their email communications regarding VCERA business in response to any California Public Records Act requests for such communications.

V. Guidelines

- 10) Privacy: Board and staff members understand that their authorization to use VCERA assigned mobile devices are for the primary purpose of conducting VCERA business. Board and staff members further understand that they have no expectation of privacy with regard to their use of such devices.
- 11) Security Patching, Upgrades, Routine Maintenance or Repair: Board and staff members understand that VCERA could require that assigned devices be returned to the office for, security patching, upgrades, routine maintenance or repair, to ensure that devices are being used only in a manner that is consistent with these policies. Board and staff members are responsible for immediately contacting the VCERA Chief Technology Officer, should any suspected malicious activity or breach of passwords occur. If deemed necessary, the device must be surrendered to the Chief Technology Officer for further review.
- 12) Loss or Theft and Data Backups: Board and staff members who have an assigned mobile device are responsible for the security of the device, all associated equipment and all data. Board and staff members must report any lost or stolen device or data, to the Chief Technology Officer as soon as discovered. All users are responsible for backing up personal data stored on the assigned mobile device. Should a personal device, configured with County of Ventura email or VCERA data be lost or stolen, users must inform the Chief Technology Officer immediately.
- 13) Password/Security Code: All VCERA assigned mobile devices must use, at a minimum, a four-digit security code or 8-character password for access. Personal mobile devices that have County of Ventura email or VCERA data on them, must use, at a minimum a four-digit security code or password for access.
- 14) Auto-Lock: All VCERA assigned mobile devices must automatically lock after a maximum of 10 minutes of inactivity and require entry of a security code or password to unlock for use. Personal mobile devices that have County of Ventura email or VCERA data on them, must automatically lock after a maximum of 10 minutes of inactivity and require entry of a security code or password to unlock for use.

*VCERA
Assigned Portable Electronic Device Policy*

- 15) Management Software: Assigned mobile devices may have management software installed for enforcing policies, deploying updates and new software, and identifying device location. Board and staff members understand such software may not be tampered with, uninstalled or disabled.
- 16) County of Ventura Email and VCERA Data on Personal Devices: Personal mobile devices configured with County of Ventura email or VCERA data are subject remote wiping of business email and data or the entire contents of the mobile device. Board and staff members understand that every attempt will be made to contact the user before this occurs, but in the event of a significant security breach or threat, this may not be possible.
- 17) Return Prior to Separation: Board and staff members will return all assigned mobile device(s) prior to separation of VCERA service and remove all personal accounts, data and passwords. Board and staff members will be required to provide user account information should personal account and passwords not be removed from the device.

VI. Process Review

- 18) The Chief Technology Officer will review the Mobile Device Policy at least once every three (3) years to ensure that it remains relevant and appropriate and present to the Board for approval.

VII. Process History

- 19) The Chief Technology Officer last reviewed this policy on June 26, 2019. The Board last reviewed and approved this policy on July 1, 2019. The Board previously approved this policy on June 1, 2018. The Board originally adopted this policy on June 18, 2012.



July 1, 2019

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

SUBJECT: PERIODIC REVIEW OF BOARD EDUCATION & TRAVEL POLICY; GUIDANCE REQUESTED

Dear Board Members:

As part of the Board Policy Development Process, Board policies are to be formally reviewed at the time specified within each policy. Over the past 1-2 years, staff has encountered situations and practical implications that we believe warrant further consideration in regard to the Education & Travel Policy, which is due for its annual review.

Traditionally, the annual review consists of staff providing suggested edits for consideration in a redline of the policy. For this review, staff requests guidance on how the Board would like to address issues that are potentially problematic. As the Board is likely aware, travel by public employees and trustees has been the subject of considerable criticism and scrutiny, especially in recent years. To ensure VCERA is following the highest standards in regard to travel and being trustworthy stewards of public funds, staff believes closer examination of certain policy language is prudent to clarify ambiguity and to assist staff in processing travel claims compliantly and in alignment with the Board's intent.

Below are references to various sections within the policy, and the language about which staff has questions or feedback (**blue**), with **emphasis added** to some text to stress the area of focus.

INTRODUCTION

*"Recognizing its fiduciary responsibility to plan participants, it is the desire of the Board of Retirement (Board) to encourage members of the Board, and its staff, to enhance their knowledge of the financial and benefit aspects of the retirement system by attending educational meetings, conferences and seminars. Attendance at such functions, **as well as due diligence trips** relating to the operation of the retirement system, **is essential** to ensure that Board members and staff are able to carry out their fiduciary responsibilities."*

Staff Questions/Feedback:

Does the Board still consider trustee participation in due diligence trips "essential"?

July 1, 2019
Request for Direction on Education & Travel Policy
Page 2 of 5

ON-SITE DUE DILIGENCE

“Every effort shall be made to rotate due diligence responsibilities so no single Trustee, or group of Trustees, is conducting a majority of due diligence visits on VCERA’s behalf.”

Staff Questions/Feedback:

The group of trustees who have accompanied the CIO to due diligence trips over the last two years has been very small, and the “rotation” described by the policy is not consistently demonstrated. Staff recommends that either more rotation of trustees be employed, or that trustees only accompany the CIO when the Board determines that factors make it necessary or advisable that Board members attend.

Recently, VCERA has added many new private equity managers, and if these managers are part of the due diligence rotation, the cost and frequency of travel will be increase significantly. We note that in looking at other CERL systems’ policies and practices, due diligence travel is often done by the consultant and/or staff, with trustee participation being much less frequent or limited by conditions such as a new manager hire or when designated by the Chair for a specific purpose (ex: manager is on a watch list, or under particular scrutiny). For some systems, the travel policy *allows* for trustees to participate in due diligence travel, but in practice it is not common.

Staff requests Board direction on due diligence travel, given the increase in the number of managers and staff feedback.

RECOMMENDED PUBLIC RETIREMENT SYSTEM MEETINGS

“It is the intention of the Board to establish a standard whereby attendance at educational meetings, conferences and seminars will be approved only if the agenda for the event contains an average of five (5) hours of substantive educational content per day.”

Staff Questions/Feedback:

Staff has interpreted and applied this language by taking total conference educational content hours, divided by total number of days to determine the 5-hour rule. Please advise if this interpretation is consistent with the Board intent on this language.

TRAVEL ARRANGEMENTS

*“It is the preference of the Board to have travel arrangements made through VCERA staff. This would include processing of registrations, hotel accommodations and transportation. **However, a Board member may arrange his/her own transportation if he/she is to be accompanied by a spouse or travelling companion. If the traveler selects a more expensive mode of travel, the traveler shall claim only the cost that would have been incurred had the lower cost option been utilized and shall provide documentation of the lower cost option. VCERA staff will not make travel arrangements for, or reimbursement to a Board or staff member for any costs associated with the attendance of a spouse or traveling companion to any function.”***

Staff Questions/Feedback:

- Making arrangements – Travel arrangements are typically being made by individual travelers rather than VCERA staff; staff requests guidance on whether the Board would like the policy language to conform to the actual practice.

July 1, 2019

Request for Direction on Education & Travel Policy

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- Companions - The wording of the policy could be read to say that a trustee may arrange his/her own travel arrangements **only** if accompanied by a companion. Staff recommends clarification of this language if the Board wishes to continue allowing trustees to book their own travel.
- More expensive mode of travel – The policy directs travelers who choose a more expensive mode of travel to claim only the cost that **would have been incurred**. However, in processing claims, staff has encountered instances where this information is not provided or unclear; in these instances, it is challenging to determine the correct limit of what may be claimed because the traveler did not capture the costs **at the time of purchase**. Another example is when a traveler prefers a specific airline when a different airline is much more cost effective for VCERA. Staff recommends that travelers who book themselves be required to document the various choices and pricing at the time of booking so that staff can honor the policy and limit reimbursement to the lower cost option, as the policy directs.

TRAVEL COSTS

*“It is the policy of the Board that travel to educational meetings, conferences, seminars, and due diligence visits be achieved in the **least expensive practical manner** possible in order to reduce costs to the retirement system. When weighing the options of air transportation vs driving a personal or rented vehicle, comparison of total anticipated costs should be considered (ex: parking, mileage, shuttle costs, etc.) and the least expensive option should be favored whenever practical to do so. **If the traveler chooses a materially higher cost transportation mode for personal reasons, reimbursement will be limited to the lower cost option.**”*

Staff Questions/Feedback:

Again, staff recommends that when VCERA staff does not book the travel **with** the traveler, the burden be placed on the claimant to prove the full amount is reimbursable. Also, an occasional difficulty with “**least expensive practical manner**” is in answering the questions, “practical for whom?” and distinguishing between “impractical” and “inconvenient”. This language, when taken with the other emphasized language (and the feedback above regarding travel arrangements) can result in material higher costs for personal reasons under the heading of “practical” – putting staff in a difficult position when processing a travel claim.

“Board members should immediately notify VCERA’s Chief Financial Officer of the cancellation or other changes in their travel plans.”

Staff Questions/Feedback:

Recommend the notification be made to the Board Clerk, or Retirement Administrator.

Air Transportation

“Every attempt should be made to make air travel reservations in advance to take advantage of available discounts.”

Staff Questions/Feedback:

Staff has encountered instances of higher pricing because of delayed booking. It is almost universally true that the closer to the date of travel, the more expensive the trip. Staff request

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clarification on both maximum lead time for booking prior to an event, as well as direction (if any) for situations in which trustees attend the same event but one cost is significantly higher than the other as a result of one trustee’s delay in booking.

Meals & Beverages

	<i>Within California (Receipts Required)</i>	<i>Out-of-State (Receipts Required)</i>	<i>High-Cost Areas (HCA)*</i>	<i>Per Day (No Receipts Required)</i>
<i>Breakfast</i>	<i>\$19.50</i>	<i>\$22.50</i>	<i>25.00</i>	<i>\$57.00</i>
<i>Lunch</i>	<i>\$19.50</i>	<i>\$22.50</i>	<i>25.00</i>	<i>\$68.00 (HCA*)</i>
<i>Dinner</i>	<i>\$38.00</i>	<i>\$43.00</i>	<i>49.00</i>	<i>75% of above for first & last days of travel</i>

**as designated by the current federal General Services Administration Special Per Diem Rates publication.*

“Exceptions: 1) for on-site due diligence evaluations, the amounts indicated on the table above are increased by 15%...”

Staff Questions/Feedback:

Regarding the higher allowance for high-cost areas and the additional 15% for on-site due diligence, it should be noted that the majority of due diligence trips **are** in high-cost areas. Therefore, the Board may want to consider allowing the additional 15% only when due diligence trip is not in a high-cost area.

Also, does the exception for on-site due diligence to increase amounts by 15% apply to the per-day figures in the last column (\$57.00 & \$68.00), or does it simply apply to the 3 columns that list dollar amounts for specific meals? If so, does the Board believe this should also apply to the application of 75% of per day amounts for the first and last day of travel? When the Board made this change to the policy in 2017, the discussion focused on instances where a due diligence visit called for dining within the hotel for safety and practicality; however, on the first and last day of travel, often meals are purchased while traveling, such as in airports or at a travel stop, and therefore perhaps not needing an additional 15% allowance.

Air Transportation

Every attempt should be made to make air travel reservations in advance to take advantage of available discounts. Airfare will be paid for coach/economy passage only, with the exceptions listed below:

<i>Flight Time</i>	<i>Seating level allowable</i>
<i>Exceeds 4 hours</i>	<i>1 level above coach/economy</i>
<i>Exceeds 8 hours</i>	<i>Business class, with Board approval.</i>

Staff Questions/Feedback:

This "1 level" language has been occasionally problematic because of the broad range of differences between airlines' levels. The differences in terminology and standards among various airlines is very broad, both with one-level upgrade and the business classes. Given these circumstances, staff recommends a guideline of “how much is too much” in terms of upgrade cost. Perhaps “not to exceed X% above basic economy” or some other limit so that when the upgrade (which can sometimes more than double a flight’s cost) is incorporated, the costs do not

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become what may be considered by some to be excessive. (Note that when this scenario is presented with the added expense of late and refundable booking, the policy does not provide guidance on keeping such costs in check.)

Other

Over the past year, there are two issues the Board expressed interest in changing: 1) allowing the Retirement Administrator to approve an additional day of travel for VCERA's designee to an investment observer seat when the meeting is on a different day from the general meeting; and, 2) to allow the Retirement Administrator to approve travel independently when the travel costs are budgeted within the Board-approved administrative budget. For the 2nd issue, staff would like the Board to clarify if it wishes to remove the requirement that each travel request be brought in open session.

Final Remarks

Both trustees and staff clearly make efforts to comply fully with the Education & Travel Policy, and staff is not raising these questions to imply that a pattern of non-compliance exists. This request for guidance and direction is simply to gain clarity for situations that are open to interpretation and possibly vulnerable for abuse in a given circumstance at some point in the future. Staff believes the best defense against misunderstandings is a clear and consistent policy. We appreciate the Board's attention to this important issue.

RECOMMENDATION: PROVIDE GUIDANCE AND DIRECTION TO STAFF ON UPDATING THE EDUCATION AND TRAVEL POLICY.

Staff will be happy to answer any questions at the July 1, 2019 disability meeting.

Sincerely,



Linda Webb
Retirement Administrator

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
EDUCATION AND TRAVEL POLICY

INTRODUCTION

Recognizing its fiduciary responsibility to plan participants, it is the desire of the Board of Retirement (Board) to encourage members of the Board, and its staff, to enhance their knowledge of the financial and benefit aspects of the retirement system by attending educational meetings, conferences and seminars. Attendance at such functions, as well as due diligence trips relating to the operation of the retirement system, is essential to ensure that Board members and staff are able to carry out their fiduciary responsibilities.

PURPOSE

The purpose of this policy is to set forth the guidelines to be followed to ensure Board members and staff members are allowed to cost effectively attend the educational meetings, conferences, and seminars the Board believes to be necessary for the performance of their duties.

COMPLIANCE WITH STATE LAW

Effective January 1, 2013, and in compliance with Section 31522.8 of the California Government Code, all Board members shall receive a minimum of 24 hours of trustee education within the first two years of assuming office, and for every subsequent two-year period the Board member continues to hold membership on the Board. Of the required 24 hours, 2 hours must be training in general ethics principles and ethics laws, and 2 hours must be training and education on sexual harassment prevention.¹ Further, the Board will maintain a record of Board member compliance with the policy. This policy and an annual report on Board member compliance shall be placed on the Internet Web site.

ON-SITE DUE DILIGENCE

Regular on-site due diligence evaluations shall be scheduled with VCERA's investment managers (within North America) every three years. For managers outside of North America, the frequency shall be every four years and whenever possible in conjunction with an educational opportunity to maximize the value of the overseas trip. More frequent evaluations shall be conducted if there have been materials organizational changes, significant underperformance of the investment or for any other reason deemed appropriate by the Board.

¹ Training in sexual harassment prevention must be completed within a new trustee's first 6 months.

On-site due diligence evaluations may be conducted by one or more Trustees and may include the Chief Investment Officer (CIO), Administrator and/or the Administrator's designee. The Administrator shall, in consultation with the CIO and Investment Consultant, agendize a proposed schedule for all on-site due diligence trips to be conducted in the upcoming year. The Board Chair shall, with Board consent, designate the Trustee(s) to participate in each on-site evaluation, and the CIO shall submit the travel cost estimates to the Board for approval for such visits. Every effort shall be made to rotate due diligence responsibilities so no single Trustee, or group of Trustees, is conducting a majority of due diligence visits on VCERA's behalf. The Trustee(s) and CIO, Administrator, or designee, shall be responsible for providing a written/oral report to the Board no later than the second subsequent regular Board meeting summarizing their findings and recommendations, if any.

LIMITATION ON MEETING FOR BUSINESS PURPOSES

Travel by multiple Board members shall be conducted in such a manner as to not violate the provisions of the Brown Act (Government Code Section 54950 et. Seq.). Board member attendance at educational meetings, conferences, seminars and related social events is not a violation of the Brown Act.

TRAVEL AUTHORIZATION

Approval for travel by a Board or staff member to an educational meeting, conference, seminar or on-site due diligence visit shall be made in an open meeting of the Board, except for attendance at the Spring and Fall State Association of County Retirement Systems (SACRS) conferences for which authorization by the Board will not be required. Additionally, the Retirement Administrator may approve Board or staff travel for one-day meetings held within the State. The Administrator may also approve an overnight stay by a staff member if it is determined to be in the best interest of the Association in terms of economy and efficiency. In the event a Board member or CIO wishes to conduct an on-site due diligence visit, or attend a one-day seminar, of a VCERA investment manager or consultant without prior Board approval, the Administrator is authorized to reimburse travel expenses up to \$350.00 upon submission of a verified claim.

Although State law may permit gifts of travel to the System, if a third party offers to pay for some or all of the travel expenses associated with a particular conference, seminar or meeting, the Board shall decline the offer. However, the Board may consider authorizing attendance at the particular conference, seminar or meeting at VCERA's expense if such attendance would be beneficial to VCERA. The Retirement Administrator may accept fee waivers for training conferences or seminars on behalf of staff members, if offered by governmental trade organizations. If the Board has approved a staff member's membership on an investment managers advisory board or committee, and the cost of related travel is included in the fees paid to such investment managers, the cost of such travel is not a gift, and VCERA need not pay additional for it.

ANNUAL TRAVEL BUDGET

The Retirement Administrator shall include in the annual budget to be approved by the Board sufficient funding to allow each member of the Board, and staff, to attend the Spring and Fall SACRS conferences. Additionally, funds will be budgeted, based upon the information available on scheduled conferences and input from individual Board members during the budget preparation process, to allow each Board member and executive staff to attend up to three additional conferences, educational meetings, seminars and site visits each fiscal year. This limitation shall not apply to on-site visits that are made with the consent of the Board, including in connection with the retention of a new manager, nor shall it apply to any conference, educational meeting, seminar or site visit where the cost to the Association can reasonably be expected to be less than \$500.00.

Travel expenses of Board members and staff shall be considered an administration cost, where permissible by law, or investment cost, and may not be paid by any third party without the express written authorization of the Board.

RECOMMENDED PUBLIC RETIREMENT SYSTEM MEETINGS

It is the intention of the Board to establish a standard whereby attendance at educational meetings, conferences and seminars will be approved only if the agenda for the event contains an average of five (5) hours of substantive educational content per day. This standard would not apply to meetings with investment managers, consultants, etc., which would not be expected to last for five hours.

The Board establishes the following as recommended educational meetings, conferences and seminars that qualify as trustee and/or staff education.

1. State Association of County Retirement Systems (SACRS), including meetings of SACRS Board or Committees, on which a member of the Board or staff participates. The Board recognizes the importance of having its Trustees actively participate as members of the SACRS Board or its committees. Therefore, attendance at such meetings shall not count towards the three conferences, educational meetings, seminars, or site visits limitation set forth above, even if such cost exceeds \$500.00.
2. Public Pension Investment Management Program (SACRS/Berkeley). (Attendance shall not count towards the three conference limit.)
3. California Association of Public Retirement Systems (CALAPRS) Annual General Assembly, trustee and staff roundtables, Advanced Board Leadership Institute, Administrators' Institute and the Principles of Pension Management for Trustees course. (Attendance shall not count towards the three conference limit.)
4. Programs sponsored by the Institute for Fiduciary Education (IFE).
5. NCPERS Annual Conference.
6. Pension Funds and Money Management, and Alternative Investments and Real Estate; The Wharton School, University of Pennsylvania.
7. Programs sponsored by the National Association of Police Officers (NAPO).

8. Client conferences sponsored by investment managers, asset custodians and consultants with whom the Retirement System has a current professional relationship. (Attendance shall not count towards the three conference limit.)
9. Client conferences sponsored by investment managers, asset custodians and consultants with whom the Retirement System has a current professional relationship (Attendance shall not count towards the three conference limit.)
10. National Association of Public Pension Attorneys Conference.
11. California Retirement County Employees Association (CRCEA).
12. Nossaman LLC Annual Fiduciary Forum. (Attendance shall not count towards the three conference limit.)
13. Council of Institutional Investors (CII)
14. Institutional Limited Partners Association (ILPA)

Board members may request approval to attend the recommended, or any other multi-day educational meetings, seminars and conferences by submitting a written request to the Retirement Administrator for inclusion on the next Board agenda. The request should confirm the training meets the average 5-hour-per-day standard, and indicate the number of hours of educational hours the training provides. Requests approved by the Board qualify as Board member education. Educational seminars sponsored by the state or national public pension fund organizations and seminars sponsored by accredited academic institutions shall be deemed to meet Board member education requirements.

APPROPRIATE TOPICS

Appropriate topics for Board member education, may include, but are not limited to, the following:

1. Fiduciary responsibilities.
2. Ethics.
3. Pension fund investments and investment program management.
4. Actuarial matters.
5. Pension funding.
6. Benefits administration.
7. Disability evaluation.
8. Fair hearings.
9. Pension fund governance.
10. New Board member orientation.
11. Sexual Harassment Prevention

TRAVEL ARRANGEMENTS

It is the preference of the Board to have travel arrangements made through VCERA staff. This would include processing of registrations, hotel accommodations and transportation. However, a Board member may arrange his/her own transportation if he/she is to be accompanied by a spouse or travelling companion. If the traveler selects a more expensive mode of travel, the traveler shall claim only the cost that would have been incurred had the lower cost option been utilized and shall provide documentation of the lower cost option. VCERA staff will not make travel arrangements for, or reimbursement to a Board or staff member for any costs associated with the attendance of a spouse or traveling companion to any function.

TRAVEL COSTS

It is the policy of the Board that travel to educational meetings, conferences, seminars, and due diligence visits be achieved in the least expensive practical manner possible in order to reduce costs to the retirement system. When weighing the options of air transportation vs driving a personal or rented vehicle, comparison of total anticipated costs should be considered (ex: parking, mileage, shuttle costs, etc.) and the least expensive option should be favored whenever practical to do so. If the traveler chooses a materially higher cost transportation mode for personal reasons, reimbursement will be limited to the lower cost option.

Reimbursement or payment for travel related expenses may not be made in certain instances. For travel to meetings within the State of California, lodging and other eligible travel related expenses will be paid for the evening prior to the start of the meeting only if the meeting starts at or prior to 9:30 a.m. Lodging for the night of the last day of the conference will not be paid by the Retirement System.

For travel outside of the State of California, lodging and other travel related expenses will be paid by VCERA for the evening prior to the day the meetings starts. Lodging will not be paid by VCERA for the evening of the final day of the meeting unless the substantive portion of the meeting ends after 2:00 p.m. or it can be demonstrated that a reduction in airfare can be achieved by staying over for an additional day which will more than offset the cost for an additional night's lodging and other travel related costs that would be incurred.

In order to avoid unnecessary costs to the Retirement System, Board members should immediately notify VCERA's Chief Financial Officer of the cancellation or other changes in their travel plans.

Travel related costs which will be paid or reimbursed to a Board or staff member include the following:

Air Transportation

Every attempt should be made to make air travel reservations in advance to take advantage of available discounts. Airfare will be paid for coach/economy passage only, with the exceptions listed below:

Flight Time	Seating level allowable
Exceeds 4 hours	1 level above coach/economy
Exceeds 8 hours	Business class, with Board approval.

Hotel Accommodations

Payment for lodging will be at the single occupancy rate, plus applicable room tax. Any lodging costs in excess of the single occupancy room rate will be the responsibility of the Board or staff member.

Meals & Beverages

Reimbursement for the cost of meals and beverages for the Board and staff members while on travel will be made at the rates established by the County of Ventura for reimbursement to employees for such expenses, as shown in the following table. No meal allowance will be paid for any meal that is provided by the host or at the conference, unless for medical dietary restrictions.

	Within California (Receipts Required)	Out-of-State (Receipts Required)	High-Cost Areas (HCA)*	Per Day (No Receipts Required)
Breakfast	\$19.50	\$22.50	25.00	\$57.00
Lunch	\$19.50	\$22.50	25.00	\$68.00 (HCA*)
Dinner	\$38.00	\$43.00	49.00	75% of above for first & last days of travel

*as designated by the current federal General Services Administration Special Per Diem Rates publication.

Exceptions: 1) for on-site due diligence evaluations, the amounts indicated on the table above are increased by 15%, and 2) For VCERA trustee/staff group meals while attending a conference, reimbursement for the total eligible meal/beverage cost may be made to the person paying a combined bill, not to exceed an amount equal to the maximum allowable meal cost multiplied by the number of attendees.

Tips

The gratuity for meals may not exceed 15 percent of the charge, rounded up to the nearest dollar, unless the establishment adds it to the bill. Other tips may be reimbursed for other legitimate services such as maid service, portage, and parking valet service paid in the scope of the traveler's duty, not to exceed \$10 per day.

Rental Car

Every attempt should be made to utilize public transportation, airport and hotel shuttle services which are reimbursable expenses. A rental car may be used if cost effective. The retirement system will not be responsible for any loss or damage resulting from the use of a rental car.

Parking

Reasonable automobile parking expenses are reimbursable.

Mileage

Retirement Board members and staff will be reimbursed for the use of their own automobile at the current mileage rate authorized by the Internal Revenue Service.

Non-Reimbursable Expenses

Expenditures, which are not substantive to VCERA business will not be reimbursed by VCERA, such as:

- A. Any expenses related to alcohol and tobacco;
- B. Internet usage fees (unless the internet is used for VCERA business);
- C. Any expenses related to entertainment and recreational activities.

Documentation of Expenses and Submission of Reimbursement Claims

All requests for reimbursement of travel costs shall be supported by detailed receipts or other documentation. Agendas from the training may be attached to the travel claims, along with notations of the sessions attended with the associated hours recorded on the face of the claim. All travel claims shall be submitted to the Retirement Administrator or VCERA's Chief Financial Officer no later than the 60th calendar day after the expense is incurred by the Board or staff member. (A sample claim form is attached to this policy.)

REPORTING

Retirement Board members shall, no later than the 2nd subsequent Board meeting, provide a brief report on meetings or conferences attended on behalf of VCERA. The Retirement Administrator shall, no later than the second month of the calendar year, report on annual Board member compliance and post said report on the VCERA Web site.

POLICY REVIEW

In order to keep the provisions of this policy current, the Board will review this policy on an annual basis at a minimum.

POLICY HISTORY

The Board last reviewed and approved this policy on June 18, 2018. The Board previously approved this policy on June 19, 2017, May 2, 2016, June 15, 2015, February 23, 2015, June 2, 2014, June 17, 2013, January 28, 2013, July 2, 2012, June 20, 2011, June 21, 2010, June 15, 2009, September 15, 2008, April 16, 2007, May 1, 2006, October 17, 2005, April 19, 2004, April 21, 2003, May 6, 2002, April 16, 2001, and April 17, 2000. The Board originally adopted this policy on July 6, 1998.



July 1, 2019

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

Dear Board Members:

On May 29, 2019, VCERA's Chief Financial Officer (CFO) Henry Solis and Chief Investment Officer (CIO) Dan Gallagher conducted an on-site due diligence visit at the Boston headquarters of State Street Bank. Following is our report.

State Street

One Lincoln Street
Boston, MA 02111

State Street Personnel

Senior Vice President/Senior Managing Director Subhadeep Basu; Managing Directors Betsy Coyne, Henry Disano, and Juan Carvajal; Vice Presidents John Muir, Joe Leoni, Mike Feeley, Tom Broderick, Kristin Naylor, Arthur Zonghetti, and Jason Ganski; Assistant Vice Presidents Elliott Bryson and Chris Vokolek; Accountants Walter Madeira and Michael Brown; Bank Officers Julianna Frank and Jared Douglas.

We began our meeting at 9:00 AM with an introduction to VCERA's client service / relationship management team members Julianna Frank, Subhadeep Basu, Chris Vokolek, and Jared Douglas. Each outlined their respective backgrounds, history with the firm, and current roles and responsibilities on VCERA's account, other public fund client accounts, and obligations and linkages within the State Street organization.

State Street Bank Firm Overview

Mr. Basu described the history and evolution of State Street, noting that the firm began its ancestral roots as Union Bank in 1792, its primary business supporting maritime trade. Its lines of business continued to evolve, and in 1924 was appointed custodian of the first mutual fund. In the 1970's regulatory reform including ERISA drove custody business expansion; global expansion grew across Europe and Asia in the 1980s; index funds (including the first ETF created by State Street) grew in the 1990s; and throughout the 2000's global growth continued through organic and bolt-on acquisitions, technological advancements, and new lines of business. Today State Street's global footprint supports investment activity 24 hours a day in more than 100 markets across 34 countries, and State Street is a publicly traded company, listed on the NYSE. They are a direct participant of the Depository Trust Company in the United

State Street Due Diligence Report
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States, The Canadian Depository for Securities Limited in Canada, Euroclear UK & Ireland for the United Kingdom and Ireland, Clearstream Banking AG in Germany, and the international central securities depositories Euroclear Bank SA/NV and Clearstream Banking SA. Where they have subcustody services through local subcustodian banks, they participate indirectly in depositories in those markets in keeping with local market regulations and practices.

The team next discussed State Street's strategy of digital integration called State Street BEACON, which is designed for work to be completed across multiple locations using one flow-through system. The team noted that since the new system had been introduced, NAV delivery time has improved by 25%.

State Street continues to improve its client facing interactive website MyStateStreet.com and has begun implementing foundational changes such as cloud-based infrastructure, a variety of micro services, and is in the process of incorporating the recently purchased Charles River investment management software which is designed to further automate front, middle, and back office functions to improve client service.

We spoke about recent publicity surrounding staff reductions. The team noted layoffs were in response to fee pressures in the market, but that the personnel cuts have been rolled out in conjunction with technology and process improvements to avoid client impact. Their enhanced "follow-the-sun" approach allows for 24-hour processing for VCERA accounts.

Securities Lending

We were next joined by John Muir, Juan Carvajal, Joe Leoni, and Elliott Bryson who provided an overview of the securities lending operation. They began by noting that coverage is provided across 34 markets. There is a dedicated trading floor for securities lending. They explained that there are a variety of options available for both cash investment and acceptable cash and non-cash collateral.

Buy-Ins

A 'buy-in' is a purchase of shares by a broker after a seller has failed to deliver similar shares, the original seller being charged any difference in cost. The Securities Lending team noted that buy-ins occur in only a small number of cases. The practice in most markets is to allow most trades to fail for a couple of days until the shares become available. However, in markets where there is an auto buy-in mechanism, buy-ins will occur. If there is a buy-in, the seller will still receive contractual cash. The counterparty does the buy-in and passes the cash to the borrower. Teams work to reallocate securities from other parties instead of recalling them in order to maximize the number of shares on loan as long as possible. Annually, fewer than 2% of shares need to be recalled, and less than 1% of that 2% fail.

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Right Shoring

'Right shoring' allows for 24-hour coverage of accounts. Using one trading system for straight-through processing and inventory management enables timelier processing of loans and recalls, allowing trading desks to hand-off to the next trading desk at the end of their shift. Trading desks are located in Boston, London, and Sydney, and middle and back office processing centers are in North America, India, and Poland.

Collateral

Eligibility is limited to established markets and assets with significant price discovery and transparent market data. A validation process is used for collateral margin requirements using:

1. Collateral liquidation cost analysis using historical, distressed market environments specific to the asset class.
2. Value at Risk (VaR) modeling of total portfolio risk for different loan/collateral pairings.
3. Comparison of requirements to minimum floors established by the Enterprise Risk Management team which are updated annually.

Securities Lending has recently added acceptance of Japanese Yen (JPY) for cash collateral. In addition to JPY, traders will continue to accept U.S. dollars (USD), Euros (EUR), British Pounds (GBP), Canadian dollars (CAD), and Australian dollars (AUD). Securities lending program earnings are paid to VCERA monthly for each account. Non-cash collateral usage has become more prevalent in the U.S., and has historically been so outside of the U.S.

Corporate Actions

Corporate actions for securities on loan are completed by the Corporate Actions team. This allows clients to be promptly credited with distributions from underlying loan positions. Manager elections are communicated to the borrower for action, and income is generally contractually applied to the account, even before being received by State Street.

Risk Management

Mr. Carvajal and Mr. Bryson stated there were 15 full time analysts focused on credit risk, collateral/market risk, and business analytics. They explained that the Securities Lending team works directly with State Street's Enterprise Risk Management (ERM) team to evaluate potential borrowers (counterparties) using the following process:

1. First, the securities lending credit team will perform a preliminary review. If after the review the team elects to move forward, the deal goes to legal for review.
2. Second, dedicated State Street securities lending lawyers conduct a legal review and can stop the counterparty from moving forward in the process. If allowed to move forward, the case moves back to the securities lending team.

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3. The Securities Lending team conducts a full and final diligence review, and a final decision is made on whether or not to move forward with the borrower.
4. Securities Lending team assigns ratings of 1 (lowest risk) – 14 (highest risk) for credit worthiness for all borrowers. State Street Securities Lending team will only lend to borrowers with a rating of 7 or below.
5. Counterparty / borrower ratings are re-evaluated at least on an annual basis, and more frequently as needed.
6. Collateral types such as mortgage backed securities (MBS), asset-backed securities (ABS), and convertible bonds are reserved for only the highest rated borrowers.

The borrower base consists of more than 130 financial institutions world-wide, with approximately 100 active. When reviewing potential borrowers, the relationship manager is the first line of defense, followed by the ERM, and then by Audit and Compliance. ERM and Audit and Compliance have no direct ties to outside businesses allowing them to be independent when reviewing risk.

Federal auditors also work on-site at State Street Bank on the Securities Lending trading floor in a partitioned secure area that only they have access to. However, the Federal auditors have unrestricted direct access to all Securities Lending areas.

Class Actions

We next met with Mike Feeley and Tom Broderick. Mr. Feeley explained that class action notices are received from multiple sources including law firms, claims administrators, vendors, ISS, DTC, etc. Federal class actions today follow an opt-out model, which absent an affirmative request to opt out, a class member is in the class. When a notice of a new class action is received the Class Action team:

1. Creates a class action event in State Street's Class Action Module (CAMS).
2. Identifies all affected holders and asset IDs, the class period, holding dates, and activity during the class period.
3. Builds a class processing plan including deadlines, distributes details and notifies clients as needed.
4. Automatically files an electronic proof of claim on opt-out type actions and submits to the Claims Administrator on each client's behalf if that client has been identified as a possible claimant.
5. State Street monitors payments, reconciliations, etc., from start to finish, and deposits proceeds received into the appropriate accounts. Reporting is available on the MyStateStreet system.

The class actions team identifies possible class action members via holdings and trade activity. Activity is flagged using a combination of Cusip numbers and other naming conventions to determine if pertinent activity occurred during the period, and details are analyzed to determine if there is a loss.

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In cases where State Street cannot legally file on VCERA's behalf, the Corporate Actions team will send notices directly to VCERA with all the filing details of the notice. The MyStateStreet system provides reporting that allows VCERA to view the status of current class actions and VCERA's status within the process.

Corporate Actions

To help respond and meet deadlines, State Street manages the entire notification and response process through their global corporate action system. They regularly communicate with depositories, subcustodians, and other market agents to gather complete event details via automated mapping of vendor feeds and inbound SWIFT for event sourcing. The team then reconciles information from data vendor sources, subcustodians, and directly from issuers and paying agents against custody records. In order to provide accurate information, they verify each corporate action with multiple sources before sending notification.

Once they confirm event details and client holdings, the global corporate action system creates three levels of corporate action notifications with their Corporate Action Tracking and Interactive Network (CApTAIN) or SWIFT. With recent technology upgrades, the Corporate Action team has been able to decrease the turnaround time for notifications from 24 hours to 12 hours in most cases. Once an event has been confirmed the team notifies managers, clients, third parties, etc. Notice is sent to contacts predetermined by the client. In VCERA's case, notices of corporate actions are sent directly to the managers.

Mr. Broderick noted that the team doesn't expect any impact on corporate actions due to Brexit. Within the team, there is a group that is assigned to risk management. This group examines volume levels of voting for issues of risk. If a manager votes opposite the majority of shareholders, the team will reach out to them to recertify that they selected the desired option, and that the initial selection wasn't an error.

Within corporate actions, investment managers can select their hierarchy of preferred currencies if more than one currency is available as an option. Investment managers can submit their votes via CApTAIN or SWIFT.

Corporation Information (Cyber) Security

We next met with Kristin Naylor who manages a team of 60 employees, and an additional 150 personnel when including contractors and vendors for State Street's Cyber Security effort. Ms. Naylor noted that State Street has had no large hacks. She further noted that because banks are a prime target of hackers, there are no fewer than 30 different government regulators looking at bank Cyber Security efforts of State Street, as well as all of the other major custodial banks.

State Street's Corporate Information Security (CIS) Intelligence Support Function operates within their Cyber Security Center, focusing on analyzing and disseminating internal and external actionable cyber threat intelligence. During a security event or incident, the

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Intelligence Support Function works with applicable stakeholders to mitigate risk. It uses a threat intelligence platform to aggregate the large volume of threat intelligence data received from various feeds and produces notifications and reports.

State Street is a founding member of FIC (Information Cybersecurity Forum) which was originally formed by a group of the top 8 banks and has since grown to include 16 banks that together engage in 'resiliency' exercises. Ms. Naylor stated, "It's not a question of if we're going to get hacked, it's when!" Together the FIC members seek to stay ahead of possible attacks by taking the following steps:

1. Building up a network
2. Focus on intrusion detection
3. Install multiple firewalls
4. Maintain computer servers in multiple locations.

Ms. Naylor noted that over the past year, a surge in attempts to attack banks across both existing and new channels have been targeting major bank transfer platforms such as SWIFT, SPEI, etc.; phishing email and websites to steal credentials; mobile malware and fake mobile applications, and denial of service campaigns.

Security is a driving design feature in technology implementation at State Street, closely aligned with the National Institute of Standards Technology (NIST) Cyber Security Framework, and a top-down program governance structure. The structure begins at the top with the Technology and Operations Committee of the State Street Board of Directors making recommendations regarding technology related risk, including information and cybersecurity, and including approval of their CIS Program annually.

The next level down is the Technology and Operations Risk Committee which assess effectiveness of enterprise technology and operational risk management programs.

Then the Executive Information Security Steering Committee oversees the program to ensure controls are managed and measured, and finally CIS, which implements and maintains the program ensuring that the program aligns with company goals.

For testing, they have an internal group of hackers to evaluate exposure of their sites, operating independently without advanced warning to internal audiences.

Workforce wide, they have mandatory information security and privacy training, and about 18 times per year, simulate spear phishing attacks against the organization, including both permanent and contingent workers.

On an annual basis, Ms. Naylor publishes for upper management a SIG Questionnaire which is used to identify how data security risks are managed across multiple risk areas. MyStateStreet has a cyber security guide online available to VCERA.

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Alternative Investment Solutions

We next met with Arthur Zonghetti who described State Street's private investments solutions platform. Arthur spoke of State Street servicing more than 70 clients, 15,000 funds/ investments, which total over \$900 billion in committed capital. Their system collects and processes more than 700,000 documents annually. He said that investments are valued monthly, using cashflows to adjust to a month-end date.

Mr. Zonghetti also spoke of the development and use of State Street's electronic cash flow module (eCFM), which is used by State Street and its clients to capture cash flows automatically from email traffic, and then those cash flows are then reviewed for final system input. He noted their full-service product allowed commitment tracking of historical activity, provides data, performance analytics with standard and customized reporting, and fee transparency processing by populating the ILPA fee template. All documents are tagged to MyStateStreet, allowing clients to access all documents in one location.

Accounting

We next met with Walter Madeira and Michael Brown of Accounting. They noted that they use a basic rate of return calculation to confirm changes in fund value on a month-to-month basis. Securities that have a vendor price are valued daily via vendor feeds. They use a single global platform, offering a fully integrated real-time, general ledger multi-currency accounting system supporting all investment types world-wide including private equity and derivatives.

They reviewed a chart illustrating accounting processes and time frames, including a monthly close with systematic exception-based reviews and multiple levels of signoff. And they work with managers to reconcile differences and out-of-tolerance items.

FX Trading

We met with Jason Ganski who described the trading teams and various responsibilities of the different groups. Mr. Ganski also described some of the computer feeds and data sources, and techniques used to execute trades across multiple currencies for both State Street's mutual funds and other clients.

Client Service and Relationship Management

We met with Executive Vice President Betsy Coin and Henry Santos who welcomed us and affirmed State Street's commitment to the business, and continuing focus on improving the client experience.

Tax Reclaims

When asked about the advantages of using State Street (as opposed to a third-party source) to file tax reclaims, State Street noted the following:

1. State Street provides tax reclaim services to clients, who represent more than 80 different tax residencies, and are invested in over 100 markets and nearly 50 types of financial instruments.

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2. Services include tax entitlement research, tax reclaim processing, tax exemption applications where applicable, reduction at source processing, and capital gains tax support. Reclaims are based on tax treaty entitlements, as a core custody service. No additional fees are incurred for this service.
3. State Street regularly monitors tax entitlement accruals and expectations based on the current situation in markets of investment, to protect entitlements. They use several sources to gather and maintain tax information, and State Street cross-checks all of their information. They maintain a tax database that keeps all the tax information for a diverse client base. This database includes withholding rates, reclaim rates and exemption possibilities, to show tax entitlements.
4. File tax reclaims for clients who are entitled, based on the treaties for the avoidance of double taxation. They regularly monitor the tax entitlement accruals and expectations based on the current situation in the market of investment.
5. State Street has access to all of VCERA's income information for the positions held in State Street's custody.
6. State Street has been performing this function for approximately 30 years and has well-established processes and controls in place, as well as a custody system that allows tracking and monitoring the status of all open reclaims through a point to point tracking until payment is received.

State Street didn't believe that Brexit would impact tax reclaims. However, State Street is monitoring for tax rate changes that may result from Brexit implementation.

We concluded our visit at approximately 4:30 PM.

Summary

We found nothing unexpected in our visit. We found State Street personnel to be forthcoming with information and to be responsive to our questions.

We found no due diligence concerns with State Street.

Respectfully submitted,

 

Henry Solis, Chief Financial Officer
Dan Gallagher, Chief Investment Officer



July 1, 2019

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

SUBJECT: BUDGET UPDATE FOR FISCAL YEAR 2018-19 FOR INVESTMENT LEGAL COSTS

Dear Board Members:

This letter is to update the Board of a projected cost overrun in legal expenses within the investment budget. We currently estimate legal expenses in the amount of \$327,000 for FY2018-19, \$45,000 more than the adjusted adopted budget amount of \$282,000. Legal review costs through May 30 exceed the budget by approximately \$15,000, and legal work for the month of June is projected at \$30,000.

Discussion

The FY2018-19 adopted budget initially included \$200,000 for investment legal fees. This amount was based on a projection of 8 to 12 new private equity partnerships. However, the projection did not include estimates for funds selected as a result of a subsequent asset allocation change adding private credit and real estate funds. In addition, Abbott secured a greater number of highly coveted partnerships than anticipated.

In February, staff presented a mid-year budget projection and informed the board that the projected amount for the year would be \$282,000. The Board approved a mid-year Budget adjustment to increase the legal expense line item by \$82,000 for the increased number of investments.

During the fiscal year, documents for 18 *private equity* limited partnerships, \$296 million in long-term commitments, were reviewed. Of the 18, 14 were primary investments, 1 was VCERA's Fund of One, 1 was a secondary fund of funds, and 2 were co-investments funds of funds. In addition, documents for 3 *private credit* funds, representing commitments of \$80 million, were reviewed during this fiscal year, 2 of which have been completed. Documents for 1 *real estate* fund, representing a commitment of \$100 million, were reviewed and completed as well. Some of the legal reviews were begun prior to and completed in this fiscal year. Others were begun during FY2018-19 and will continue into FY2019-20.

Costs for legal review of investment partnerships completed during this fiscal year ranged from \$10,000 to \$25,000, varied by complexity of legal documents and cost sharing by other investors in the partnerships.

Staff is not requesting any budgetary appropriation changes for this action. Staff will complete a final budget close-out for FY2018-19 and, if necessary, return to the board in September 2019 to request appropriation adjustments between budgetary object levels if sufficient appropriations are not available to absorb this additional expense.

Respectfully submitted,

Dan Gallagher
Chief Investment Officer