

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

FINANCE COMMITTEE MEETING

MAY 15, 2023

MINUTES

TRUSTEES
PRESENT:

Arthur E. Goulet, Finance Committee Chair, Retired Member
Jordan Roberts, General Employee Member
Tommie E. Joe, Public Member

TRUSTEES
ABSENT:

STAFF
PRESENT:

La Valda Marshall, Chief Financial Officer
Chris Ayala, Program Assistant

PLACE:

Ventura County Employees' Retirement Association
Second Floor, Boardroom
1190 S. Victoria Avenue, Suite 200
Ventura, CA 93003

TIME:

11:00 a.m.

ITEM:

I. CALL TO ORDER

A. Roll Call.

Chair Goulet called the Finance Committee meeting of May 15, 2023, to order at 11:00 a.m.

Roll Call:

Trustees Present: Art Goulet, Tommie Joe, Jordan Roberts.

Trustees Absent: -

II. APPROVAL OF AGENDA

MOTION: Approve.

Moved by Roberts, seconded by Joe

Vote: Motion carried

Yes: Joe, Roberts, Goulet

No: -

Absent: -

Abstain: -

III. APPROVAL OF MINUTES

A. Finance Committee Meeting Minutes of April 12, 2023.

Trustee Joe noted that the agenda stated the minutes were for the Finance Committee meeting of March 6, 2023, however, this was incorrect since the minutes in the agenda materials was for April 12, 2023.

MOTION: Approve the Minutes for the Finance Committee Meeting of April 12, 2023.

Moved by Roberts, seconded by Joe

Vote: Motion carried

Yes: Joe, Roberts, Goulet

No: -

Absent: -

Abstain: -

IV. OLD BUSINESS

A. Post Retiree Health Insurance Payment - Potential Liability Analysis.

1. Staff Letter by Chief Financial Officer.

2. Ventura County Management, Confidential Clerical and Other Unrepresented Employees Resolution, Date March 8, 2022 (Section 504).

3. VCERA and County of Ventura, Human Resources MOU.
4. Retiree Health Insurance Premium Projected Annual Liability per Eligible Retiree (Fiscal Year 2022-23 to 2032-33).

Ms. Marshall said staff was requesting a discussion regarding the provided report on the potential liability of the Post Retiree Health Insurance Payment to eligible employees, and staff would be happy to answer any questions from the Finance Committee.

Chair Goulet stated the analysis did not go as far enough as he had hoped it would, since he believed it should list anybody that was currently working for VCERA, and that would be receiving the benefit in the future.

Ms. Marshall said she understood, and so she would go back and include any employees that were in line to receive the benefit and bring the updated report back to the Finance Committee.

Chair Goulet then suggested she use age 60 as the age for retirement in her report and see what VCERA's liability was in the next 5 years.

Ms. Marshall said she was not sure if the committee members had noticed, but there was a former VCERA employee who had been receiving the benefit, but had passed away, however, the County and VCERA were not aware of her death, so VCERA was continuing to be charged for the benefit. Staff was now seeking a refund from the County for the overpayment.

Chair Goulet said staff should bring the item back at the next committee meeting.

B. Internal Audit - Discussion.

1. Staff Letter by Chief Financial Officer.
2. Attachment A - Internal Audit Service Types.

Ms. Marshall explained that staff would like to discuss and receive direction from the committee regarding Internal Audit Services for VCERA. She reminded them that the agenda item had been previously provided to the Board of Retirement in August 2021, however, staff was directed to perform further research to find Internal Auditors to send an RFP to and to bring back a proposed RFP to the Finance Committee for their review. Later, in January 2022, staff had provided the committee with a status of the request, and staff announced that the item had been paused due to the availability of the CFO, who was focusing on the ACFR at the time. Staff was now requesting direction from the committee on the type of audit they think should be performed, and staff would also be contacting other retirement systems under CERL to gather information to develop the RFP.

Chair Goulet asked Ms. Marshall if she had any preferences on the type of audit they should have done.

Ms. Marshall said she was favoring an Internal Audit that was focused on the Operational side of VCERA.

Trustee Joe asked, in light of the additional work related to the Alameda Decision, did staff have the time to engage in an internal audit.

Ms. Marshall replied that based on what she's heard, probably not, but she did not know what the auditors would need from staff to conduct an internal audit. However, she would speak to the other retirement systems under CERL to get a better idea of what it would entail.

Trustee Joe then asked her if she believed an internal audit would not be done this fiscal year.

Ms. Marshall said it would be difficult enough for staff to issue an RFP to potential vendors in the current fiscal year.

Trustee Joe remarked that he was in agreement that the committee should consider conducting an Operational Internal Audit, since he believed that was what the consensus was during previous discussions.

Chair Goulet said it may be beneficial for VCERA to wait until they were in the middle of the Alameda Corrections project, because they may be able to learn from an internal audit how they might have done it better.

Trustee Roberts asked if they should bring the issue to the full Board since they had expressed interest in an internal audit.

Chair Goulet then said they should make a recommendation to the Board that an internal Audit be delayed until VCERA was well underway with the Alameda Corrections project. Therefore, it may not be performed until the next fiscal year or the year after that. However, he would suggest the funds be carried over, so there would be funds budgeted for the next fiscal year in the event they were able to have it done then.

Trustee Roberts asked what Ms. Marshall thoughts were on having a Compliance Audit as well, which he believed could prove to be useful, and he also thought they should consider having it done after the Alameda Implementation process was well under way.

Ms. Marshall stated she believed it was a great idea, since that type of audit would focus on processes, systems, policies, plans and the whole foundation that supported it. Therefore, once staff had completed the Operational Audit engagement, staff may recommend a limited scope and then with their direction, staff may recommend widening the scope to include the compliance piece.

MOTION: Recommendation to the Board that an Internal Audit be Postponed this Fiscal Year, and Possibly Until VCERA was well Under Way with the Alameda Corrections.

Moved by Joe, seconded by Roberts

Vote: Motion carried

Yes: Joe, Roberts, Goulet

No: -

Absent: -

Abstain: -

V. NEW BUSINESS

A. Actuarial Audit – RFP Development.

1. Staff Letter by Chief Financial Officer.

2. Draft RFP for Actuarial Audit (Redline).

Ms. Marshall reminded the committee that they had previously requested that staff develop an RFP and submit it to them for review and approval. Staff would then issue the RFP to the identified candidates and review the responses to make a recommendation to Board for the selection of the firm for engagement.

Trustee Joe asked, what exactly did the Board approve regarding the Actuarial Audit; was it that the committee would issue the RFP and evaluate the responses to make a recommendation to the Board or was it to have staff complete these tasks.

Chair Goulet stated staff would be involved as well as the committee because the proposals would be submitted to staff, and after they had been evaluated, staff would return to the committee with their evaluation and recommendation for the selection of an Auditor. The committee would then consider staff's recommendation and return to the Board with a recommendation for approval of an engagement with an Auditor, since the Board's policy stated that items related to Actuarial Services had to be approved by the Board.

Trustee Joe said the reason he was asking was that previously the Finance Committee had issued an RFP to engage with a vendor for a Compensation Study, and staff then received the responses to the RFP, but it was up to Compensation Study Committee to determine the criteria for evaluation and to make a recommendation to the Board for selection of a vendor.

Chair Goulet replied that the process would be similar to that and ultimately there would be a recommendation to the Board. So, the committee would be considering the approval of staff's draft staff letter to the Board of Retirement as well as the proposed RFP. The Board would then direct staff to issue the RFP to the identified candidates, which was one of the problems with staff's letter, since the vendors were not identified. Staff would need to include a list of candidates to go along with the staff letter, and the candidates should have experience with conducting actuarial audits of other CERL retirement systems.

He then said that he also had a correction for the staff letter. On page 2 it said, "approval be the Board of Retirement in August 2023", however, there were no board meetings in August, so they wouldn't be able to review it then.

Ms. Marshall thanked Chair Goulet for pointing out the issue. She also said she would change the date accordingly.

Chair Goulet said as for the proposed RFP, on page 1, Ms. Marshall had changed the word, "shall" to "should", but was not sure why, because it did not need to be changed. Then on page 4, under the *Amortization Period* section, it stated, "in 2004 the Board elected to amortize the Unfunded Actuarial Accrued Liability (UAAL) as of June 30, 2004, over declining 15-year closed period, but it was irrelevant because that segment of the UAAL had been paid off. The next sentence in that section stated, "Actuarial gains and losses after June 30, 2004 are also amortized over 15-year periods, but it should be corrected to say June 30, 2006. In the next paragraph, where it said, "Also, any change in the UAAL that arises due to retirement incentives...", should say instead, "any change in the UAAL that may arise due to retirement incentives". At the top of page 8, in the first sentence under item 2, the word, "years" possessive to "years", not possessive. Also, on page 12, in the *Proposal Organization* section, were it enumerated how the proposal should be organized, but the numbering was now off because there were now two number 4's in the list.

Trustee Roberts also noticed the numbering was incorrect on page 11 and 12, in the section called, *Additional Required Information*.

Chair Goulet then said there were 2 references to dates in August again in the *Interviews* and *Final Notification* sections, which should be corrected.

Ms. Marshall thanked Chair Goulet and the committee for their feedback and said she would make the necessary corrections.

MOTION: Approve the Draft Letter to the Board of Retirement as well as the Revised RFP.

Moved by Roberts, seconded by Joe

Vote: Motion carried

Yes: Joe, Roberts, Goulet

No: -

Absent: -

Abstain: -

B. Finance Committee Charter – Update.

1. Staff Letter by Chief Financial Officer.
2. Charter: Finance Committee (Redline).

Ms. Marshall noted the Finance Committee Charter was scheduled to be reviewed every 3 years, and it was last reviewed in May 2021, however, due to the significance of the proposed updates staff was recommending certain updates now.

Trustee Joe noticed in the redline version of the charter, in section I, *Introduction*, it stated that the Finance Committee was to be comprised of not fewer than 4 trustees, however, they currently only had 3 members.

Chair Goulet said the Chair of the Board of Retirement had never appointed a 4th member to the committee. Therefore, since he was not inclined to appoint a 4th member, maybe they should change it to 3 trustees.

Trustee Roberts asked if this was due to composition of the Board of Retirement at that time, because there was a time when there were a few vacant seats on the Board.

Chair Goulet said that could be the case, since the Board was concerned with having a quorum necessary to hold a meeting, at that time. He then said he had another suggested edit to the charter, on page 3, where it stated the committee would meet at least 4 times a year, which was inconsistent with section II.1.d., which said the committee had a requirement to meet once a year.

Ms. Marshal explained the reason for the statement on page 3 and said the reason she added the language in question was because she thought the committee would meet 4 times a year because of the yearly audit.

Chair Goulet then said section II.1.d., stated, "the committee shall meet at least annually but at may meet as frequently as is deemed necessary by the Chair of the committee, in consultation with the Retirement Administrator", so they could meet as many times as they deem necessary. So, he did

not see a need for that particular sentence in the section. Therefore, the first sentence on page 3 said, "Meet at least four times a year, with the option to hold additional meetings as needed", should be removed.

Ms. Marshall then said she would remove the first sentence.

MOTION: Approve Proposed Changes, as noted and Bring them to the Full Board.

Moved by Roberts, seconded by Joe

Vote: Motion carried

Yes: Joe, Roberts, Goulet

No: -

Absent: -

Abstain: -

C. Annual Administrative Budget Policy – Update.

RECOMMENDED ACTION: Approve.

1. Staff Letter by Chief Financial Officer.
2. Annual Administrative Budget Policy (Redline).

Ms. Marshall said the Annual Administrative Budget Policy was also scheduled to be reviewed every 3 years, but it was last reviewed in June 2023. She also wanted to point out that there was typically 2 board meetings in June, and staff would bring the new proposed budget to the Board at their 1st meeting, then if staff received any suggested edits at that meeting they could incorporate them and bring back the updated proposed budget to the Board at the 2nd meeting, however, under the new Board of Retirement Meeting Calendar, there was only one meeting scheduled in June.

Chair Goulet said he noticed that as well, and they should change it somehow, although that was assuming that a similar meeting calendar would be kept for the succeeding years, which may or may not be the case. So, he believed when the policy was presented to the Board, it should be pointed out.

Ms. Marshall also noted there was a requirement that the budget be posted publicly at least 25 days before it was approved by the Board.

Trustee Joe asked if VCERA had been adhering to the requirement.

Ms. Marshall said it was her understanding they had been in compliance with that requirement, although it may not have been the final version that was presented initially.

Trustee Joe then noted in Section III.13.a. stated, "The Board will hold a public hearing to consider the proposed budget at a combines June Disability and Business meeting", but it should say, "proposed budget at a combined June Disability and Business meeting".

Chair Goulet said on page 3, in Section III.11.b., the language there seemed awkward and so he was not sure of its meaning.

Ms. Marshall said the intention of the sentence in question was to state that the budget process was in the Finance Committee's queue and the committee also made the recommendation regarding the budget to the Board.

Chair Goulet asked if it would be better to have it state, "The Finance Committee shall review the proposed budget and after deliberation recommend a proposed budget to the Board". He also had a concern using the term *Annual Administrative Budget Policy*, rather than *Annual Budget Policy*, because when the Board adopts a budget, it adopts the administrative items as well as other the items listed in the budget. Therefore, it seemed to him that the title of the policy should be changed and the term, "administrative" should be struck from throughout the policy. He also believed the policy should state how the cost of investments were handled, because the cost of investments should be born from the earnings of the investments, which was from the statute as well.

MOTION: Approve with Amendments, as Noted.

Moved by Roberts, seconded by Joe

Vote: Motion carried

Yes: Joe, Roberts, Goulet

No: -

Absent: -

Abstain: -

VI. PUBLIC COMMENT

None.

VII. STAFF COMMENT

Ms. Marshall said she wanted to thank the Finance Committee for attending the meeting and their feedback.

VIII. BOARD MEMBER COMMENT

None.

IX. ADJOURNMENT

The Chair adjourned the meeting at 9:59 a.m.

Approved,



ART GOULET, Finance Committee Chair