

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

FINANCE COMMITTEE MEETING

APRIL 12, 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:**

Linda Webb, Retirement Administrator
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:

4:00 p.m.

ITEM:

I. CALL TO ORDER

A. Roll Call.

Chair Goulet called the Finance Committee meeting of April 12, 2023, to order at 4:00 p.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 March 6, 2023.

MOTION: Approve.

Moved by Joe, seconded by Roberts

Vote: Motion carried

Yes: Joe, Roberts, Goulet

No: -

Absent: -

Abstain: -

IV. OLD BUSINESS

A. Post-retirement Health Insurance Payment.

1. Staff Letter by Retirement Administrator.
To be Provided.

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.

Chair Goulet reminded the Finance Committee that he had asked that the item be placed on today's agenda at a recent Board meeting and the Retirement Administrator was given the task of developing a list of the potential liabilities to VCERA. He had spoken to her yesterday, and she apologized because she said that she was unable to complete the task in time for today's meeting, so he suggested that the committee continue the item.

Ms. Webb said that she appreciated their patience because she just hadn't been able to work on that analysis because there had been too many other equally important items that she had been working on.

Chair Goulet then said he would continue the item.

V. NEW BUSINESS

A. Fiscal Year 2022-23 Quarterly December 31, 2022, Financial Statements and Budget Summaries.

RECOMMENDED ACTION: Approve.

1. Staff Letter by Chief Financial Officer.
2. Draft Staff Letter for April 17, 2023, Disability and Business Meeting.
3. Financial Statements.
4. Budget Summaries.

Ms. Marshall said that she was requesting that the Finance Committee receive and file the Fiscal Year Ending 2022-23 Quarterly Financial Statements and Budget Summaries. Staff had completed work on the 6 month financial reports for the fiscal year that ended on December 31, 2022. Overall, the pension plans net position was \$7 billion, as of December 31, 2022, decreasing by \$57,000 as compared to the prior year's Annual Comprehensive Financial Report (ACFR). The total operating budget was \$12 million as of December 31st and the Actual Year to Date total was, \$4.5 million, so the available amount was \$7.5 million, and the percent expended as of December 31st was 37.8%. While there were some variances in the budget line items by categories, Salaries and Benefits, Service and Supplies, Technology, and Contingency, the percent expended did not exceed the budget in any of the categories.

Chair Goulet noted that on Page 5 of the Financial Statements, there was a negative amount of over \$500,000 related to management fees. He then asked what the reason was for the large negative amount in the report.

Ms. Marshall explained that bundled in the management fees was the carried interest, which was making it a negative amount. Also, once the investment manager reached a certain performance ratio, then it would become a positive amount.

Chair Goulet then said that he recalled that he had previously spoke to Ms. Marshall about the line item. He also reminded Ms. Marshall that, hereafter, it was unnecessary to prepare both a staff letter and a draft letter to the VCERA Board for the financials since they were duplicates.

MOTION: After Finding Nothing of Concern, Approve and Recommend the Board Receive and File.

Moved by Roberts, seconded by Joe

Vote: Motion carried
Yes: Joe, Roberts, Goulet
No: -
Absent: -
Abstain: -

B. Mid-Year Budget Update for Fiscal Year 2022-23

RECOMMENDED ACTION: Receive and File.

1. Draft Staff Letter for April 17, 2023, Disability and Business Meeting.
2. Budget Summary Projections (Attachment A).

Ms. Marshall explained that the item compared the adopted budget for respective cost centers to actual expenses incurred through December 31, 2022 as well as projected expenditures based staff's best estimate. The projection for June 30, 2022 was \$10.2 million, which meant that 85.2% would be expended, and while there were some projected cost overruns in the Disability and Other Expenses budget, staff was not requesting any budgetary adjustments. If necessary, staff would return to the Board after year end, and request appropriation adjustments between object levels to close out the year.

Chair Goulet provided minor corrections related to spelling and grammar in the report. He also noted that on page 2 of the staff letter, it stated that staff was continuing to work from home. He then said it was true as of December 2022, however, currently most of the staff was working in the office.

Ms. Webb remarked that all staff were in the office on Monday but were able to work from home for a maximum of 2 days out of the week. Also, staff's schedules were carefully coordinated so that they could provide in-person coverage all throughout the week to members.

MOTION: After Finding Nothing of Concern, Approve with Edits and Recommend the Board Receive and File.

Moved by Roberts, seconded by Joe

Vote: Motion carried
Yes: Joe, Roberts, Goulet
No: -
Absent: -
Abstain: -

C. Future Actuarial Audit Discussion.

To be Provided.

1. Staff Letter by Chief Financial Officer.

Ms. Marshall noted that she had indicated that there would be a staff letter for the item, but she said that she would be providing a verbal update instead. The VCERA Charter stated that at least every 6 years that an Actuarial Audit be done. Therefore, staff was requesting direction on whether the committee believed they should proceed with planning for an Actuarial Audit.

Ms. Webb remarked that there was an Actuarial Audit done about 7 years ago and so it was time for another audit, if they wanted to stay on the same schedule, which had some positives and negatives to it. There was currently a lot of changes going on, from an actuarial perspective because the

Alameda Decision, such as the pending corrections to retirement calculations, as well as some data issues. Also, there was a pending potential request from the County for VCERA to perform another special study, which was related to the addition of a Cost-of-Living-Adjustment (COLA) for the California Nurses Association, which had about 700 members. Currently, the County had asked Segal Consulting to perform a special study to find out the cost and the timeframe, and depending on the timetable, they were planning to ask the Board of Retirement to adopt new alternate rates that were different from the ones in the previous valuation, since there would be a little bit of a “dip” in the Unfunded Actuarial Accrued Liability (UAAL), with the addition of the group in question. So, it might be an unstable time to try to conduct an actuarial audit, especially if there was a change in the actuarial valuation, that was just finished. However, she was not opposed to having an actuarial audit, but was just noting the potential complications.

Trustee Joe asked what was involved in having an actuarial audit performed, since he was not a part of the Board of Retirement the last time one was performed.

Ms. Webb explained that the Board would just provide another Actuary the same information that was provided to their current Actuary, Segal Consulting, to have them replicate the same report with the same information.

Chair Goulet remarked that as he recalled the contractor that performed the audit did not perform a full replication of the valuation report, instead they evaluated the processes that VCERA’s Actuary used to ensure that they were using the correct processes. He also believed that it wasn’t a terribly expensive exercise, so it couldn’t have been a full replication.

Chair Goulet stated that he understood the complications mentioned by Ms. Webb, but the Board had just approved a review of the Board’s Charter and it seemed to him that they should comply with it.

Ms. Webb replied that she was fine with that decision, and they could simply take the RFP that was used that last time and modify and send it out to secure a new Auditor.

Trustee Roberts remarked that he believed it would be better to have an audit performed sooner rather than later, given all of the potential complications that were on the horizon.

Ms. Webb said that she believed that the Finance Committee should then recommend to the Board that they appoint a committee to review and edit a RFP and then the fiscal staff could send it out. Once the replies to the RFP were received the committee would then review and rank each of the offers from the service providers and provide a recommendation on an Auditor.

Chair Goulet noted that the Actuarial activities were specifically excluded from the responsibilities of the Finance Committee, although it did not mean that they could not perform the procedural work for the RFP. Therefore, they could make a recommendation to the Board that they be given the responsibility, instead of the Board appointing a separate committee.

MOTION: Recommend that VCERA Proceed with an Actuarial Audit and assign the Finance Committee the responsibility of developing the RFP and evaluating the responses to the RFP to make a recommendation to the Board for the selection of an Auditor.

Moved by Joe, seconded by Roberts

Vote: Motion carried

Yes: Joe, Roberts, Goulet

No: -

Absent: -
Abstain: -

D. New Investment Position Update.
To be Provided.

1. Staff Letter by Chief Financial Officer.

Ms. Marshall said that she would again provide a verbal update. The Job Description for the position was complete and the title of the position was Administrative Services Director IV (Investment Officer). There was also a request from staff for the Board to approve adding this position at the upcoming Disability & Business meeting of April 17th.

Ms. Webb added that there would be a letter on the agenda for the Board meeting of April 17th to request that the Board add the position and Ms. Marshall and the CIO had calculated the salary and benefit cost for the position. Also, given the time it would take to approve the request and finalize the recruitment, staff did not believe it would have an impact on the current budget.

VI. PUBLIC COMMENT

None.

VII. STAFF COMMENT

None.

VIII. BOARD MEMBER COMMENT

Chair Goulet said that if they recall, when the Board was dealing with the compensation issue for their executive managers, there was a proposal to grant them a Fixed COLA, and Supervisor Long had opposed that, so he was wondering if she had voted yes on providing a COLA to the County employees covered by the CNA Union. He then asked Ms. Webb if she knew how Ms. Long voted.

Ms. Webb said that she was not aware of how she voted.

Chair Goulet said that he would like to know, because she was so against providing a COLA to VCERA's 5 employees, and now the County had approved a COLA for 700 employees.

Ms. Webb remarked that it was probably not the last COLA that would be negotiated by the Unions and approved by the County.

IX. ADJOURNMENT

The Chair adjourned the meeting at 4:51 p.m.

Approved,


ART GOULET, Finance Committee Chair