VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

SPECIAL MEETING

DECEMBER 4, 2023

<u>AGENDA</u>

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

The public may listen to the Public Session and offer comments by calling: +1 669-219-2599, using Meeting ID: 725-838-7457. Persons may also submit written comments to publiccomment@vcera.org prior to and during the Board meeting. Please include your name, agenda item, the last 4 numbers of the telephone number that will be used to call in, and your comment. Public comment emails will be read into the record or summarized if lengthy.

The Board may take action on any item on the agenda, and agenda items may be taken out of order.

TIME: 9:00 a.m.

ITEM:

I. CALL TO ORDER

A. Roll Call.

II. APPROVAL OF AGENDA

III. CONSENT AGENDA

A. Approve Business Meeting Minutes of November 20, 2023.

IV. OLD BUSINESS

A. None.

V. NEW BUSINESS

A. Fiduciary Governance Report to the Board of Retirement, Presentation from Ashley K. Dunning, VCERA Fiduciary Counsel, and Rick Santos, VCERA Interim Retirement Administrator.

    1. VCERA Board Governance Report.

    2. Fiduciary Governance Presentation.

B. VCERA Today & Tomorrow, Presentation from Rick Santos, VCERA Interim Retirement Administrator, Leah Oliver, VCERA Chief Technology Officer.

V.   <u>**NEW BUSINESS**</u> **(continued)**

       1.   State of VCERA Analysis.

       2.   VCERA Today & Tomorrow Presentation.

    C.   Proposal to Place "Recommendation to Grant without Objection" Disability Cases On Consent Agendas.
         RECOMMENDED ACTION: Approve.

       1.   Staff Letter from Interim Retirement Administrator.

VI.   <u>**CLOSED SESSION**</u>

    A.   It is the intention of the Personnel Review Committee to Meet in Closed Session, Pursuant to Government Code Section 54957(b)(1), to Discuss the Following Item.

       1.   Public Employee Appointment.
          Title: Retirement Administrator.

VII.   <u>**INFORMATIONAL**</u>

VIII.   <u>**PUBLIC COMMENT**</u>

IX.   <u>**STAFF COMMENT**</u>

X.   <u>**BOARD MEMBER COMMENT**</u>

XI.   <u>**ADJOURNMENT**</u>

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

NOVEMBER 20, 2023

<u>AGENDA</u>

<u>TRUSTEES PRESENT:</u>
Mike Sedell, Chair, Public Member
Arthur E. Goulet, Vice-Chair, Retired Member
Aaron Grass, Safety Employee Member
Cecilia Hernandez-Garcia, General Employee Member
Sue Horgan, Treasurer-Tax Collector
Tommie E. Joe, Public Member
Kelly Long, Public Member
Anthony Rainey, Public Member
Jordan Roberts, General Employee Member
Donald Brodt, Alternate Public Member
Will Hoag, Alternate Retired Member

<u>TRUSTEES ABSENT:</u>

<u>STAFF PRESENT:</u>
Rick Santos, Interim Retirement Administrator
Amy Herron, Chief Operations Officer
Lori Nemiroff, General Counsel
Dan Gallagher, Chief Investment Officer
La Valda Marshall, Chief Financial Officer
Josiah Vencel, Retirement Benefits Manager
Brian Owen, Sr. Information Technology Specialist
Michael Sanchez, Sr. Information Technology Specialist
Chris Ayala, Program Assistant

<u>PLACE:</u>
Ventura County Employees' Retirement Association
Second Floor, Boardroom
1190 S. Victoria Avenue, Suite 200
Ventura, CA 93003

<u>TIME:</u> 9:00 a.m.

ITEM:

I.   **CALL TO ORDER**

     A.   Roll Call.

Chair Sedell called the Disability Meeting of November 20, 2023, to order at 9:00 a.m.

Roll Call:

Trustees Present: Donald Brodt, Aaron Grass, Art Goulet, Cecilia Hernandez-Garcia Will Hoag, Sue Horgan, Tommie Joe, Kelly Long, Anthony Rainey, Jordan Roberts, Mike Sedell

Trustees Absent: -

II.   **APPROVAL OF AGENDA**

Trustee Goulet noted that he had questions regarding the estimated cost for the related to agenda item for the CTO to attend the Gartner CIO Leadership Forum on February 26 – 27, 2024.

Chair Sedell said that since Ms. Oliver was in attendance the Board could discuss the item following the approval of the agenda.

MOTION: Approve Agenda, Excluding Item VII.B., "Authorization for Chief Technology Officer to Attend the Gartner CIO Leadership Forum, February 26-27, 2024, in Phoenix, Arizona", which the Board would Discuss Next After the Approval of the Agenda.

Moved by Long, seconded by Joe

Vote: Motion carried
Yes: Grass, Goulet, Hernandez-Garcia, Horgan, Joe, Long, Rainey, Roberts, Sedell
No: -
Absent: -
Abstain: -

After the vote on the agenda item, the Board advanced to item VII.B., "Authorization for Chief Technology Officer to Attend the Gartner CIO Leadership Forum, February 26-27, 2024, in Phoenix, Arizona",

III.   **CONSENT AGENDA**

     A.   Approve Regular and Deferred Retirements and Survivors Continuances for the Month of October 2023.

     B.   Approve Disability Meeting Minutes of November 6, 2023.

MOTION: Approve Consent Agenda.

Moved by Goulet, seconded by Joe

Vote: Motion carried

Yes: Grass, Goulet, Hernandez-Garcia, Horgan, Joe, Long, Rainey, Roberts, Sedell
No: -
Absent: -
Abstain: -

IV.   INVESTMENT MANAGER PRESENTATIONS

A.   Annual Investment Presentation from BlackRock: Grant Dechert, Kit Donovan, and
      Daphne Tai.

Grant Dechert, Kit Donovan, and Daphne Tai reported BlackRock's investment outlook, and portfolio
strategies, composition, and VCERA's investment portfolio performance net of fees across five
separate commingled index funds, and then responded to trustee questions.

V.   INVESTMENT INFORMATION

VCERA – Dan Gallagher, Chief Investment Officer.
NEPC – Allan Martin and Rose Dean.

A. $30M Commitment to Pantheon Credit Opportunities Fund III.
      RECOMMENDED ACTION: Approve.

      1.   Staff Letter by Chief Investment Officer.

      2.   Joint Fund Recommendation Report from NEPC.

      3.   Pantheon Credit Opportunities Fund III Presentation: Iain Jones.

Mr. Gallagher stated that both he and NEPC were jointly recommending a $30 million commitment to
Pantheon's Credit Opportunities Fund III which they believed had a very compelling investment
thesis. The Board approved a $50 million commitment to Fund II last year, which as of June 30 was
reporting a 32% net Internal Rate of Return and a 1.35 multiple of Total Value of Paid in Capital.
Additionally, Pantheon did not manage a primary private credit fund, so they were not viewed as a
competitor to many on the sell side which expands their buy-side opportunity set.

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

MOTION: Approve a Commitment of $30 Million to Pantheon Credit Opportunities Fund III, and
Direct Staff and Counsel to Negotiate the Necessary Legal Documents; and Subject to Successful
Contract Negotiations, Authorize the Board Chair, or the Retirement Administrator or if Both are
Unavailable the Chief Investment Officer to Approve and Execute the Required Documentation.

Moved by Rainey, seconded by Goulet

Vote: Motion carried
Yes: Grass, Goulet, Hernandez-Garcia, Horgan, Joe, Long, Rainey, Roberts, Sedell
No: -
Absent: -
Abstain: -

B.   Third Quarter 2023 Investment Performance Report.
       RECOMMENDED ACTION: Receive and File.

Ms. Dean presented the Third Quarter 2023 Investment Performance Report to the Board.

MOTION: Receive and File.

Moved by Horgan, seconded by Joe

Vote: Motion carried
Yes: Grass, Goulet, Hernandez-Garcia, Horgan, Joe, Long, Rainey, Roberts, Sedell
No: -
Absent: -
Abstain: -

C.   Monthly Investment Performance Report for the Period Ending October 31, 2023.
       RECOMMENDED ACTION: Receive and File.

Ms. Dean then presented the Monthly Investment Performance Report for the Period Ending October 31, 2023to the Board.

MOTION: Receive and File.

Moved by Horgan, seconded by Roberts

Vote: Motion carried
Yes: Grass, Goulet, Hernandez-Garcia, Horgan, Joe, Long, Rainey, Roberts, Sedell
No: -
Absent: -
Abstain: -

VI.   **OLD BUSINESS**

A.   Alameda Implementation Status Report.
       RECOMMENDED ACTION: Receive and File.

Ms. Herron provided a status report on the Alameda Decision Implementation project.

MOTION: Receive and File.

Moved by Roberts, seconded by Joe

Vote: Motion carried
Yes: Grass, Goulet, Hernandez-Garcia, Horgan, Joe, Long, Rainey, Roberts, Sedell
No: -
Absent: -
Abstain: -

VII.   **NEW BUSINESS**

A.   2024 Calendars of Investment Presentations and of Investment On-Site Due Diligence
       Meetings.

RECOMMENDED ACTION: Approve.

1. Staff Letter from Chief Investment Officer.

2. Proposed Investment Presentations Calendar for 2024.

3. Proposed Due Diligence Calendar for 2024.

MOTION: Approve the Proposed 2024 Calendars for Investment Presentations and Investment Onsite Due Diligence and Authorize Necessary Expenditures in Accordance with the Board's Adopted Travel Policy and Budget.

Moved by Joe, seconded by Hernandez-Garcia

Vote: Motion carried
Yes: Grass, Goulet, Hernandez-Garcia, Horgan, Joe, Long, Rainey, Roberts, Sedell
No: -
Absent: -
Abstain: -

After the vote on this agenda item, the Board advanced to item, VII.C., "Creation of an Ad-Hoc Benefit and Compensation Committee for 2024".

B.   Authorization for Chief Technology Officer to Attend the Gartner CIO Leadership Forum, February 26-27, 2024, in Phoenix, Arizona.
      RECOMMENDED ACTION: Approve.

1. Staff Letter from Chief Technology Officer.

2. Gartner CIO Leadership Forum Agenda.

Trustee Goulet said that although the Staff Letter indicated that there was no registration fee for the conference, there would be a $3,500 cost for travel expenses. Therefore, he would like a little clarification on why the travel expense was so high, given that it was for a 2-day conference.

Ms. Oliver said that it was an oversight, since after looking at the cost for attending last year's conference was less than $2,000. So, she did not anticipate that it would go over $2,000.

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

MOTION: Approve Staff's Recommendation for Authorization for Chief Technology Officer to Attend the Gartner CIO Leadership Forum, February 26-27, 2024, in Phoenix, Arizona, with an Amendment to a Date Correction in the Staff Letter of December 18, 2023 to November 20, 2023 of when Staff Would Respond to Questions, and a Cost of Up to $2,000.

Moved by Long, seconded by Rainey

Vote: Motion carried
Yes: Grass, Goulet, Hernandez-Garcia, Horgan, Joe, Long, Rainey, Roberts, Sedell
No: -
Absent: -
Abstain: -

After the vote on the agenda item, the Board returned to item, III., "Consent Agenda".

C.   Creation of an Ad-Hoc Benefit and Compensation Committee for 2024.

      1.   Staff Letter from Interim Retirement Administrator.

Chair Sedell said that the staff letter stated that the Board needed to conduct Compensation and Benefits Study for the 5 district employees of VCERA. Therefore, the Board needed to appoint an Ad-Hoc Committee to oversee this task.

Chair Sedell noted that Trustee Goulet had already indicated to him that he would like to volunteer to be the Chair of that committee. Trustees Rainey and Grass also volunteered to join the committee.

Chair Sedell then appointed Trustees Rainey and Grass as members, and Goulet as Chair of the Ad-Hoc Benefits and Compensation Committee.

Chair Sedell then said that since the Board would likely adjourn the meeting from Closed Session, unless there was anything to report, he would like to have the Board consider items, IX., X., XI., XII., before the Board entered into their Closed Session meeting.

The Board then advanced to item IX., "Informational".

VIII. CLOSED SESSION

A.   It is the intention of the Personnel Review Committee to Meet in Closed Session, Pursuant to Government Code Section 54957(b)(1), to Discuss the Following Item.

      1. Public Employee Appointment.
          Title: Retirement Administrator.

The Board entered the Closed Session meeting at 10:22 a.m., where they would adjourn the meeting from.

IX. INFORMATIONAL

None.

X. PUBLIC COMMENT

None.

XI. STAFF COMMENT

Ms. Nemiroff noted that Trustee Ashby had separated his employment with the County of Ventura on November 19, 2023, and so his position on the Board was considered vacant.

Mr. Ayala provided a report to the Board regarding the Special Election for the Alternate Safety Member seat. He explained that the Elections Office had indicated that they would be unable to conduct the election until August 2024, since they would be busy with the Presidential Election.

Trustee Roberts asked if there was an alternative to having the election be conducted by the County of Ventura's Elections Office.

Ms. Nemiroff noted that the Board was not required to use the Elections Office to conduct the election, so staff could look into other options.

Chair Sedell said that he knew of companies that specialized in conducting elections for certain organizations, but they could be costly, but it was something that staff could look into and report back to the Board on.

Mr. Santos said that staff had also discussed conducting the election themselves, however, it would take a lot of work and there would need to be various checks and balances, if VCERA would be counting the votes internally. However, he felt that it was not critical if the Board decided to wait until August to fill the alternate safety member seat.

Mr. Gallagher provided a verbal report on a Due Diligence Visit, with Trustee Hernandez-Garcia on November 2 – 3, 2023. They had conducted on-site due diligence visits with core real estate manager, Prudential (PGIM) as well as their Private Equity Consultant, Abbott Capital Management, and met with company managements, investment, operations, IT, compliance, legal, acquisitions/disposition, portfolio managers, asset managers, property managers and found personnel to be forthcoming and answered all of their questions. He added that they found no due diligence concerns.

Trustee Hernandez-Garica said that it was a very eye-opening experience for her. They were able to meet with numerous personnel during their visits, as well as a tour of their facilities.

Mr. Santos said that he also wanted to remind the Board that the next Board meeting was on December 4th and there would be some discussion on where VCERA was currently and where they were headed. Ms. Dunning would also be presenting the next phase of the Board Governance plan.

Trustee Roberts then asked for a meeting invitation or reminder to be sent.

XII.   <u>BOARD MEMBER COMMENT</u>

Trustee Goulet said that he would like to discuss the Alternate Safety Member issue further, since he believed it was important to fill that seat because the alternate was necessary to voting on disability retirement applications that were related to the Fire Personnel.

Chair Sedell said that staff could then bring the item back at the next meeting to discuss the issue further and consider alternatives for conducting the election.

Mr. Santos then suggested that they schedule the item to come back to the Board at the December 18th meeting, instead of the December 4th meeting.

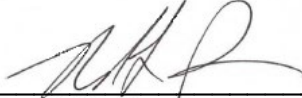Chair Sedell said that he was fine with that.

The Board then said that the Board would now be entering into Closed Session, where they would adjourn from.

After hearing Board Member Comments, the Board returned to agenda item VIII., "Closed Session.

XIII. **ADJOURNMENT**

The Chair adjourned the meeting at the conclusion of the Closed Session.

Respectfully submitted,

_____
RICHARD SANTOS, Interim Retirement Administrator

Approved,

_____
MIKE SEDELL, Chair

VCERA Board Governance Report

This Board Governance Report results from a survey to which VCERA Board members contributed during November 2023. Questions sought to distill areas in which Board members conclude that the Board has been operating well from a governance perspective, and areas where Board members see opportunities for improvement.

Following are the results of the survey, with certain takeaways from the survey and governance recommendations and actions are included at the conclusion of the Report.

How many years have you been on the Board?

- Less than 1 year *(2)*
- 1-5 years *(3)*
- 5-10 years *(0)*
- More than 10 years *(3)*

Less than 1 Year (2)

More than 10 Years (3)

5-10 Years (0)

1-5 Years (3)

NOSSAMAN LLP
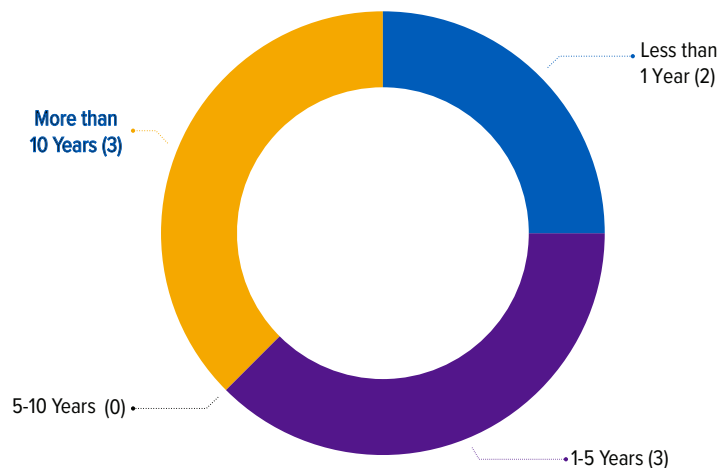
Identify one or two of the most effective aspects of the Board's current structure and operations.

- "Investments and Legal"

- "[F]ormation of a Personnel Committee and Finance Committee. It is a larger role for the trustees who were part of these committees however their dedication was apparent as they brought to the Board actual data we could review and use to make decisions."

- "Excellent board members and staff."

- "Open dialogue on issues. Most Board Members are not hesitant to speak up and enter the discussion. Meetings generally start on time."

- "The Board structure is simple."

- "Meetings are calendared."

Identify one or two areas of improvement for the Board's current structure and operations.

- "Earlier posting of agendas to avoid having to prepare on the weekend or, perhaps, changing the meeting day."

- "The board needs to decide if it is a working board or an oversight board. I hope it decides that it is an oversight board that can rely on the input and support of our talented staff."

- "I think the more we can get ahead of time in terms of agenda items would improve our ability to be prepared during our Board meetings."

- "I like the two meetings per month rather than one combined meeting. I think we can be more focused and get more done instead of having to rush. I understand sometimes it can be a time sensitive matter that needs to be addressed."

- "Tying Agenda items to VCERA Goals – to be developed by the Board, and Objectives that support the Goals to be proposed by Staff, to provide the DIRECTION of the VCERA."

- "Developing some Performance Indicators that support Objectives developed by staff and approved by the Board."

- "Getting UPDATES as to where VCERA is now and where we would like to be."

- "Basing direction and decisions on VCERA's Goals and Objectives and Performance Indicator so that the Board and participants know the direction VCERA is heading."

- "Secure authority to set staffing and compensation."

- "Board Members need to respect staff's roles and responsibilities."

- "Board needs to discuss and agree on what is acceptable for policy debate and then Chair needs to enforce it."

- "Go back to having separate Disability and Business meetings. The combined meetings run too long."

- "Would like the materials for the Board meeting sent out sooner so I do not have to use my entire weekend to review the materials."

Identify one or two topics that are currently included on Board agendas that you believe may more effectively be addressed by a Board committee for presentation to the Board with recommendations and/or ratification.

Investments commitments (new, reups, etc.) | Governance – Regulation and Policy review

- ◦ Three trustees identified "Governance-Regulation and Policy review" as suitable for a Board committee.

- ◦ Another trustee identified "Finance – monthly revenues, encumbrances and expenditures (outlays)."

- ◦ One trustee stated "In general, I don't like the idea of more board committees."

- ◦ Another trustee stated "These examples are fine but more committees take up more time overall for Trustees, especially when there are only nine Trustees and most have other full time jobs. There should be a small and limited number of committees. The other downside for too many committees is that all participants in the committees become the "experts" in those areas and the other Board Members never have the opportunity to get fully educated in the totality of the issues that face the Board."

- ◦ One trustee noted "I like this format as our other committees have functioned well. It is very constructive, but it would also have to include the CIO and Counsel as well as the Administrator to help guide the trustee in these committee meetings and possibly train trustees on what they need to focus on."

Identify one or two 2 topics that are currently included on Board agendas that you believe may more effectively be addressed by VCERA staff for presentation to the Board and/or a committee for oversight/monitoring, but not necessarily Board action.

Administrative contracts under a specified amount | Investment commitments (new, reups, etc.) under a specified amount | Disabilities designated for approval on consent | Approval of staff travel

- ◦ "Many of these have already been delegated in whole or in part, as follows:

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

  - ◦ *Per Abbott contract –* Abbott has authority to make individual commitments of at least $30K. (I don't have a copy of the Abbott contract, but the largest commitment they made in 2023 was $30K. Their total commitment for the year for the year was $180.4K)

  - ◦ *See the Travel Authorization section of the Education and Travel Policy –* A number of staff travel opportunities do not require Board approval."

- ◦ "In general, I think all of those topics could be effectively addressed by VCERA staff for presentation to the full board. Most of it could be on the consent agenda."

- ◦ "This would be a significant change to the current operations that exist. I think if something is not working then it would be best to try this. This seems like the Board's function is going to

be one that does not have the ability to vote or weigh in on the decisions made on the above. I suppose I would say staff travel and administrative contracts would be a good start. I am in favor of a committee being formed for oversight/monitoring. Also, what are the pro/cons of this new structure. How do other boards operate?"

- "Appraisal of IT Modernization Efforts"
- "Appraisal of Human Capital Management Efforts"
- "Identification and delivery of digital solutions that target VCERA customer's expectations."
- One trustee stated that the "board discussion" is needed on all listed items.
- "I agree with all of these but NOT to send to committees. Once the policy limits are set they can be presented as a consent item and unless there are policy questions of Board members they should, by policy, not be allowed to be pulled by an individual Board member. Issues on consent should be discussed with Executive staff members as appropriate prior to the meeting and only if policy issues remain should full Board discussion on Consent items take place."
- "Approval of staff travel if has been included in the Budget."
- "Administrative contracts under a specific amount or has been included in the annual Budget."

In addition to the Board's current Finance Committee and (ad hoc) Personnel Review Committee, which of the following standing committees would you like the Board to consider forming:

Governance | Audit | Operations Oversight | Disability Retirement | Investment | Other?

- Four trustees stated that no additional standing committees should be created, with one such trustee noting "Ad hoc committees could be used as the need arises. Based on past experience, I don't believe the Board is busy enough to merit additional permanent committees. Most Board meetings don't go past Noon."
- Three trustees agreed that a standing Governance Committee should be created.
- Two trustees agreed that an Operations Oversight Committee should be created.
- One trustee would like the board to form an audit committee and investment committee.
- Another trustee would like the Finance Committee to review "Balance Sheet and Revenues and Expenditures"

Finance (1)
Audit/Investigation (1)
Operations Oversight (2)
No Additional (4)
Governance (3)
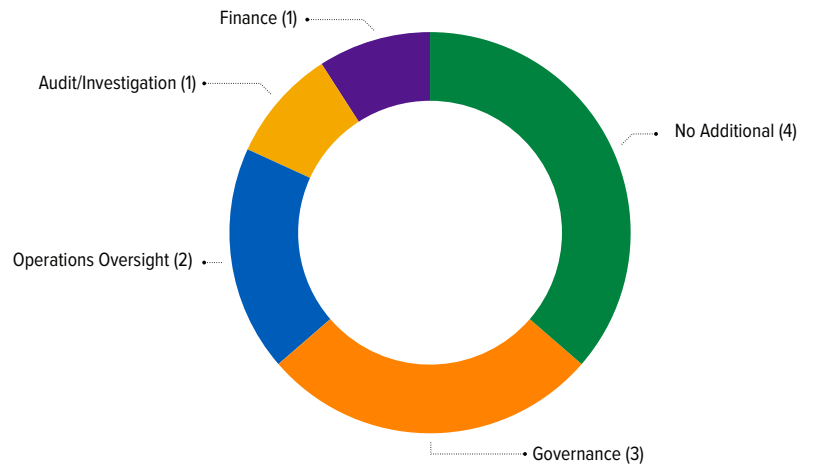
If the Board were to adopt a more robust committee structure, would you consider monthly, rather than semi-monthly, Board meetings?

- ○ Four trustees are opposed to having monthly meetings only, with one such trustee stating "[w]e do not currently have only semimonthly meetings, we alternate between monthly and semimonthly meetings on a trial basis. If the Board wants shorter meetings the Board should agree on items appropriate for a consent agenda and then meet monthly."

- ○ Three trustees are in favor of having monthly, rather than semi-monthly, meetings, with one noting that doing so "[w]ould probably provide staff with more opportunity to perform their routine functions and undertake these committee support functions."

- ○ One trustee responded "maybe."

Maybe (1)

Yes (3)

No (4)
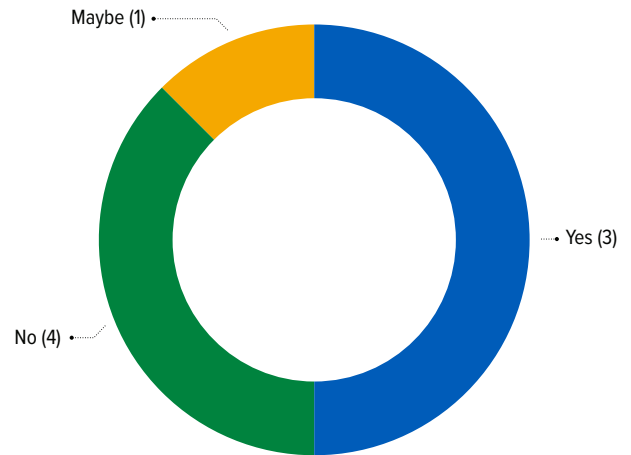
Have you ever served as a Board or Committee Chair or Vice-Chair?

- ○ Five responders had not served as the VCERA Board or Committee Chair or Vice-Chair, though one served as Chair on other boards.

- ○ Three responders had served as Board Chair or Vice-Chair and/or an ad hoc and/or standing committee Chair for VCERA.

Describe 1 or 2 best practices you have observed in the Board and its Committee's Chairs and Vice Chairs during your tenure on the Board?

- ○ "We try not to talk over or interrupt each other."

- ○ "I haven't really observed any best practices during my tenure on the board."

- ○ "They have helped keep the meetings on the topic and respectful of everyone in the meetings. It a safe and comfortable environment to communicate openly. I have noticed that [the Board Chair] spent time with our counsel and administrator to get valued input. He showed support of them and the VCERA staff. The vice-chair did not have to much influence during the meetings and [the Chair] rarely missed a meeting. I am sure [another trustee] would have done well since [that trustee was Board Chair before the current Chair]. They are both very engaged and attentive during every meeting.

- ○ "Start meeting on time."

- ○ "Move agenda along."

- ○ "Attempting to allow everyone on the Board to have a voice and respect the opinions of others even when disagreement exists."

- ○ "Keeping the agenda items moving"

- ○ "Asking if the Board has any questions or concerns."

Describe 1 or 2 areas of improvement you would recommend to the Board and its Committee's Chairs and Vice Chairs?

- "Adhere to the concept expressed in the Board Chair Charter, as follows: the Chair shall attempt to refrain from entering into any discussion on the merits of any issue before the Board until it appears all other members of the Board wishing to comment have had the opportunity to state their positions on such issue."
- "Rely on staff. Become an oversight board."
- "I feel like the Board is moving in a good direction and I feel confident of the board members who will continue on the board have a lot to contribute with their experience or dedication. I hope that the Chair and/or Vice Chair can work together to collaborate with the board and VCERA leadership."
- "Keep reports short."
- "Set proposed reasonable time allowances for Board items noted on the agendas and work with the Board to try to respect those limits whenever possible."
- "Starting the meeting on time; There always seems to be some technical issue."
- "Keeping Board member comments concise and to the point so people are not rambling."
- "Get the items that need to be voted on early in the agenda in case people need to leave."

How many educational training workshops or conferences have you attended outside of the retirement system on average during your tenure on the Board?

- One trustee noted typically having attended "at least four per year."
- "I have not attended any retirement workshops or conferences since I have been on the board.
- I have attended many educational training workshops and conferences related to my [other public official position] and have earned many Investment certifications over the past 7 years."
- "I have attended two conferences one in San Diego and the other in Hollywood. They were both very educational and interesting. I also attended a conference online during the pandemic."
- Two longterm trustees responded, respectively, "30x SACRS. 5 client conferences. 10 Due diligence visits," and "Too many to count."
- "5-7"
- Two new trustees responded, respectively, "None because of my newness," and "I am open to attending training."

What workshops or conferences have you attended that you would recommend to your fellow Board members?

- One trustee responded, "SACRS Conferences, CALAPRS Trustees' Round Tables, CALAPRS Educational sessions, Nossaman Forums, SACRS Educational opportunities."

- Another trustee responded "Since I haven't attended retirement workshops or conferences, I can't recommend any to my fellow board members. I strongly believe in on-going training and education."
- "The SACRS conferences are good, and trustees can earn the required educational credits. "
- "SACRS and Nossaman. Also Due diligence visits are excellent learning experiences."
- "SACRS / UC Berkeley Public Pension Program"

Please evaluate the last Board educational offsite, identifying programming that assisted the Board in its work and areas warranting improvement.

- "I thought it was excellent. The Nossaman presentation was aimed at educating the Board Members of their responsibilities and encouraged the Board to consider more delegation of authority although, as you can see from item 5) above."
- "I very much appreciated the discussions on governance and also, investments and the state of the economy and the world."
- "These offsite retreats are best because they are catered to our needs and we get individualized presentations. We can identify areas that warrant improvement."
- "There needs to be clear and understandable policies regarding the differences between administrative issues and policy issues and both the Board and staff need to respect those boundaries. They're too blurred right now."
- "The last offsite was more general and informative rather than assisting in the Board's work."

Provide three to five adjectives you would use to describe the Board's culture and dynamics currently?

- "Respectful, attentive, participatory."
- "Scattered. Directionless. Leaderless. Unfocused. I would describe the relationship between VCERA and the County as fractured."
- "The dynamics of the Board have been welcoming and constructive. We tackle tough decisions and may not always agree on everything, but we remain professional and moving forward. I would like to see more diversity on the board to help represent the union members. Having said that I have seen more diversity that when I was elected on the board."
- "Cordial. Courteous to disability applicants. Constructive comments.
- "Political."
- "Not decisive in making decision (Alameda)."

Would you be open to consideration of a Board Delegation resolution that expressly addresses aspects of VCERA administration that the Board is delegating to staff, while reserving oversight through regular reporting obligations of such staff?

- Four trustees responded "yes" to this question.
- Another trustee noted, "See Item 5) above and the requirement that the RA and CIO submit a quarterly report of their activities to the Board in open session."
- A sixth trustee stated, "Very broad question requiring providing Board members a little more specificity and justification for consideration."

Do you feel the amount of time the Board spends on reviewing disability cases each month is a) too much, b) not enough, or c) just about right.

- Four trustees stated, "Too much," with one such trustee stating, "[w]hen there is no disagreement they should go to the consent calendar," another noting "[a] lot of my time is spent reviewing the cases each month," and a third observing "I think it is too much documentation. It would be ideal to a summary of the cases based on conclusive data."

- Two trustees stated "Just about right," with one noting "Some cases are complex and take more discussion," and other stating this was the case "provided there is only one Hearing Officer's Report and Recommendation on the agenda. These tend to take a considerable amount of time."

Just About Right (2)

• Too Much (4)
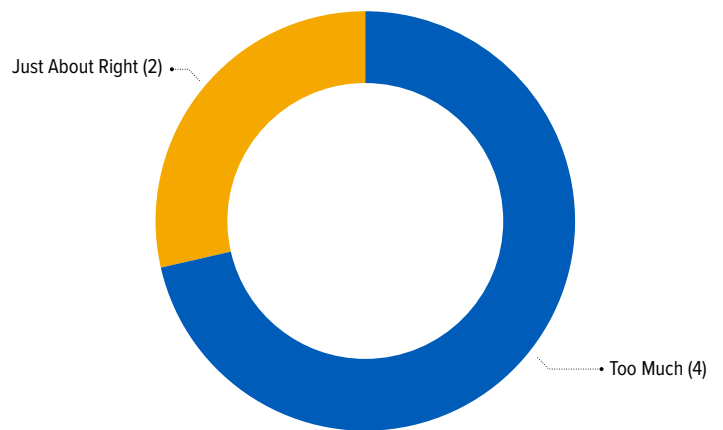
Takeaways from Survey, Recommendations and Actions

I. **Board members request additional time to consider agenda materials before meetings.**

    a. Recommendations on timing of agenda material posting

        i. Provide agenda materials at least 5 calendar days in advance of meetings, where possible, rather than 72 hours

            a. Staff already has committed to posting Thursday at noon prior to Monday Board meetings

        ii. Implement same 5 calendar day advance posting for Committee meetings.

        iii. Consider shifting meeting schedule to second and fourth Mondays of each month, which provides additional time for month-end investment report completion

II. **Board members welcome efficiencies in consideration of agenda items, so long as Board members retain authority to discuss any and all such items at meetings.**

    a. Recommendations on Agenda Improvements

        i. Identify agenda items that are appropriate for Consent Calendar, and permit Board members to pull any item from Consent Calendar if additional discussion warranted (subject to due process rights of members regarding disability retirement applications to reagendize if recommendation that application be granted is to be further reviewed)

        ii. Disability retirement applications that staff recommends be granted, and no objection to such grant has been timely received by VCERA, to be placed on Consent Calendar

        iii. Other potential items for Consent Calendar:

            1. Monthly Education Calendar for trustees and staff, with both pre-approved education and any new opportunities

            2. Annual Meeting Calendar for 2024, including both Board and Committee meetings, for Board adoption (Committee meetings can be moved if warranted because of scheduling conflicts, upon consultations with Committee Chair and Committee members)

III. **Several Board members are open to limited number of new committees and enhancement of existing committees, subject to recognition of potential challenges with additional workload.**

    a. Recommendations re Governance Committee

        i. Create new Governance Committee that will meet at least semi-annually, possibly quarterly to start

        ii. Develop Governance Committee Charter, Chair appoint members, and commence work in 2024

        iii. Ensure that Governance Committee conducts periodic, typically three- to five-year, reviews of Charters and Policies as provided in such documents

    b. Recommendations re Finance Committee

        i. Invoke provision of Finance Committee Charter regarding "Other Duties" to "advise the Board and Management as required or requested on Financial Matters," to include review of Board and Staff travel expenses already incurred

        ii. Review reporting by staff to ensure sifficuent materials providedon "monthly revenues, encumbrances and expenditures (outlays)" (i.e., cash flow reporting)

        iii. Require quarterly meetings of Finance Committee

      iv.   Consider renaming Finance Committee to reflect inclusion of Audit and Risk Management that already exists through duties outlined in Committee Charter

   c.   Other Recommendations re Committees and Board Interactions

      i.   Consider establishing an Investment Committee, either of the whole or not, depending upon Board preference, and, if established, adopt Charter for Investment Committee

         1.   Require either quarterly or bi-monthly meetings of Investment Committee (i.e., 4 or 6 meetings per year), or more, if needed

         2.   Enhance both delegations and reporting responsibilities of investment staff and consulting

      ii.   Conduct Committee meetings on the second Monday of the month, and Board meetings on fourth Monday of the month, with Committee reporting through Committee Chair to Board at the following meeting in the same month

IV.   Board members welcome evolution to be a "Policy Board" and other Governance improvements.

   a.   Recommended Governance Improvements

      i.   Develop Strategic Plan with short-term and long-term goals

         1.   Retirement Administrator's "VCERA Today and Tomorrow"

      ii.   Tie agenda items to VCERA Board's Goals and Chiefs' Annual Business Objectives

      iii.   Tie staff reporting to Board to such Goals and Objectives

      iv.   Include quarterly updates at Board meetings (and Investment Committee meeting if established) by Chiefs on status of accomplishing individual Objectives

         1.   Permits efficient and effective reporting and monitoring of all VCERA functions

         2.   Assists with talent development and succession planning

   b.   Improve Governance of VCERA re Interaction of Board with Chiefs

      i.   Expand scope of Personnel Committee responsibilities and reporting

      ii.   Make standing committee

Authors

ASHLEY DUNNING
Co-Chair, Pensions, Benefits
& Investments Group

adunning@nossaman.com
415.438.7228

RICK STANTOS
VCERA Interim Retirement
Administrator

Rick.Santos@ventura.org
805.339.2509

Fiduciary Governance Report to the Board of Retirement | Ventura County Employees' Retirement Association

December 4, 2023

Ashley K. Dunning | VCERA Fiduciary Counsel
Rick Santos | VCERA Interim Retirement Administrator

NOSSAMAN LLP

Welcome

Ashley Dunning

Nossaman LLP

**Partner and Co-Chair,
Pensions, Benefits & Investments Group**

San Francisco, CA

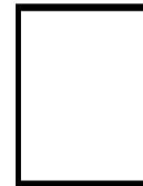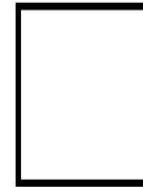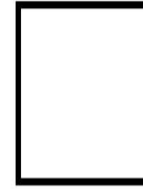415.438.7228 | adunning@nossaman.com

Rick Santos

**Ventura County Employees'
Retirement Association**

Interim Retirement Administrator

Ventura, CA

805.339.2509 | Rick.Santos@vcera.org

Overview

- Quick recap of September 25, 2023 "Policy Board" discussion at VCERA Board Offsite

- Results of VCERA Board Member Survey

- Takeaways, Recommendations and Actions
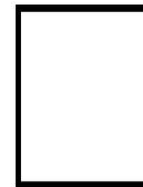
# Recap of "Policy Board" Discussion at Board Offsite in September 2023

- We discussed the value of having a "Policy Board," governance role of Board, and how well VCERA was doing in this regard

- We discussed the legal framework for the discussion of governance

  - Fiduciary duty of care (prudent fiduciaries with applicable experience)
  - Prudent delegation
  - Oversight and monitoring

- We discussed roles of the Board, and roles of staff

- We described a case study regarding range of investment delegation by larger funds nationally, and in California, including some fiduciary governance takeaways regarding delegation

- We considered numerous "Do's" and "Don'ts" for a Policy Board

Recap of "Policy Board" Discussion at Board Offsite in September 2023

- We discussed "Next Steps" and asked whether the Board is functioning as a Policy Board and sought ideas for improvement in that regard.

- We discussed initiating a Board Self-Assessment Governance Report to analyze how Board is performing its core responsibilities and suggestions for improvement.

- We sought and received input from VCERA's interim Retirement Administrator, and other chiefs.
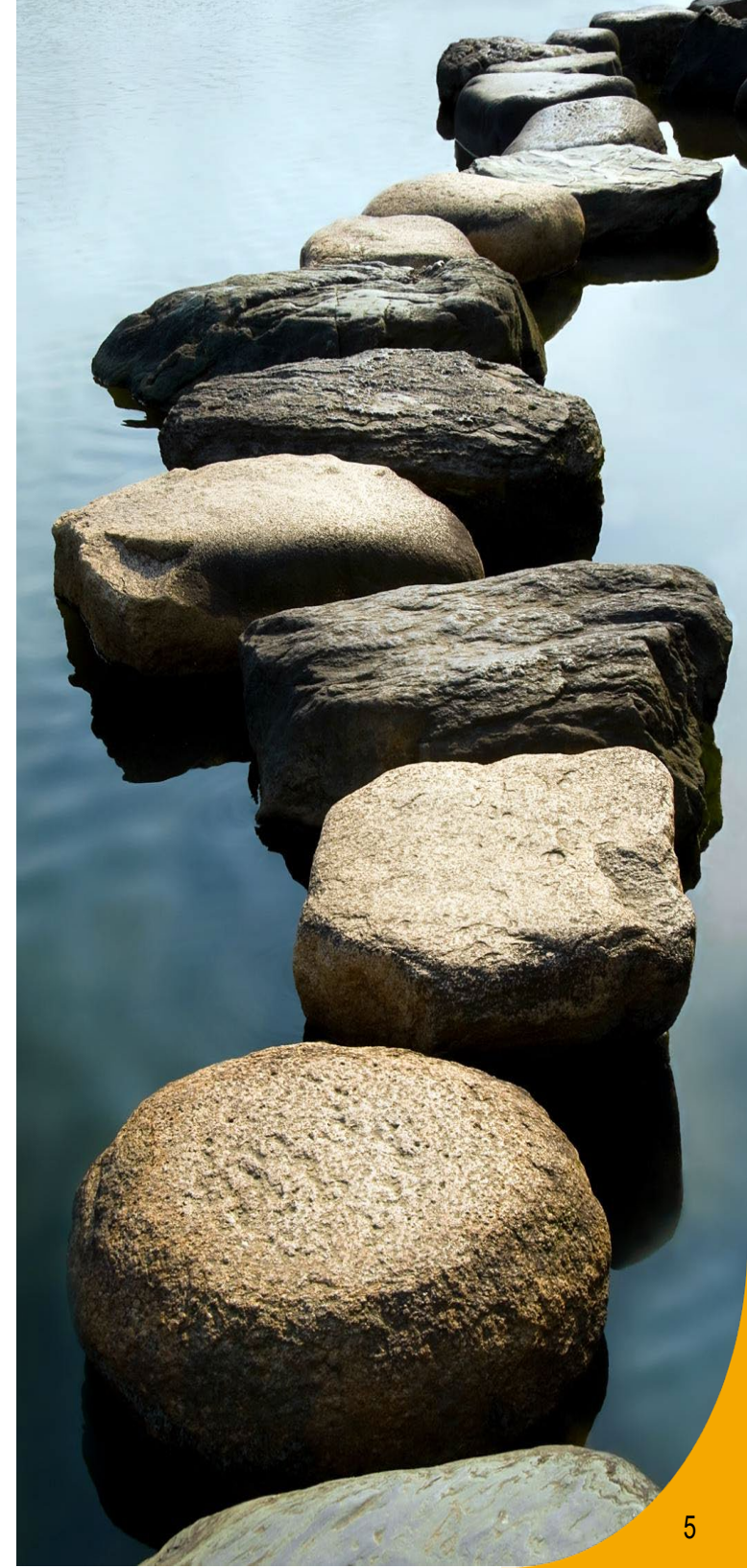
Results of VCERA Board Member Survey

- See accompanying VCERA Board Governance Report

  - Eight Board members responded

  - Point in time: November 2023

  - Varying opinions of strengths and weakness of Board function

  - Openness to taking steps to improve effectiveness and efficiency of Board and VCERA functioning

  - Goal to retain key fiduciary oversight and monitoring capabilities

VCERA Board Governance Report

This Board Governance Report results from a survey to which VCERA Board members contributed during November 2023. Questions sought to distill areas in which Board members conclude that the Board has been operating well from a governance perspective, and areas where Board members see opportunities for improvement.

Following are the results of the survey, with certain takeaways from the survey and governance recommendations and actions are included at the conclusion of the Report.

How many years have you been on the Board?

- Less than 1 year (2)
- 1-5 years (3)
- 5-10 years (0)
- More than 10 years (3)

NOSSAMAN LLP

Takeaways from Survey

1. Board members request additional time to consider agenda materials before meetings

2. Board members welcome efficiencies in consideration of agenda items, so long as Board members retain authority to discuss any and all such items at meetings

3. Several Board members are open to limited number of new committees and/or enhancement of existing committees, subject to recognition of potential challenges with additional workload

4. Board members welcome evolution to be a "Policy Board" and other Governance improvements

Recommendations and Actions on Takeaway No. 1
(More time to consider agenda materials before meetings)

1. Provide agenda materials at least 5 calendar days in advance of meetings, where possible, rather than 72 hours

   - Staff already has committed to posting Thursday at noon prior to Monday Board meetings

2. Implement same 5 calendar day advance posting for Committee meetings

3. Consider shifting meeting schedule to second and fourth Mondays of each month, which provides additional time for month-end investment report completion

Recommendations and Actions on Takeaway No. 2
(Efficient consideration of agenda items, and Board retains authority to discuss items at meetings)

1. Identify agenda items that are appropriate for Consent Calendar

2. Permit Board members to pull any item from Consent Calendar if additional discussion warranted (subject to due process rights of members)

   - Disability retirement applications that staff recommends be granted, and no objection to such grant has been timely received by VCERA, to be placed on Consent Calendar

   - Other potential items for Consent Calendar:
     - Monthly Education Calendar for trustees and staff, with both pre-approved education and any new opportunities
     - Annual Meeting Calendar for 2024, including <u>both</u> Board and Committee meetings, for Board adoption (Committee meetings can be moved if warranted because of scheduling conflicts, upon consultations with Committee Chair and Committee members)

Recommendations and Actions on Takeaway No. 3
(new and enhanced existing committees, recognizing workload challenges)

1. Recommendations re Governance Committee

   - Create new Governance Committee that will meet at least semi-annually, possibly quarterly to start

   - Develop Governance Committee Charter, Chair appoint members, and commence work in 2024

   - Ensure that Governance Committee conducts periodic, typically three to five year, reviews of Charters and Policies as provided in such documents

2. Recommendations re Finance Committee

   - Include review of Board and Staff travel expenses already incurred

   - Review reporting by staff to ensure sufficient material provided on "monthly revenues, encumbrances and expenditures (outlays)" (i.e., cash flow reporting)

   - Require quarterly meetings

   - Consider renaming to reflect inclusion of Audit and Risk Management that already exists through Committee Charter

Recommendations and Actions on Takeaway No. 3
(new and enhanced existing committees, recognizing workload challenges)

3. Other Recommendations Committees and Board Interactions

- Consider establishing an Investment Committee, either of the whole or not, depending upon Board preference, and, if established, adopt Charter for Investment Committee
  - Require either quarterly or bi-monthly meetings of Investment Committee (i.e., 4 or 6 meetings per year), or more, if needed
  - Enhance reporting responsibilities of investment staff and consultant
- Conduct Committee meetings on second Monday of the month, and Board meetings on fourth Monday of the month, with Committee reporting through Committee Chair to Board at the following meeting in the same month

Recommendations and Actions on Takeaway No. 4
("Policy Board" and other Governance improvements)

1. Develop Strategic Plan with short-term and long-term goals

   - Retirement Administrator's "VCERA Today and Tomorrow"
   - Tie agenda items to VCERA Board's Goals and Chiefs' Annual Business Objectives
   - Tie staff reporting to Board to such Goals and Objectives
   - Include quarterly updates at Board meetings (and Investment Committee meeting if established) by Chiefs on status of accomplishing individual Objectives
     - Permits efficient and effective reporting and monitoring of all VCERA functions
     - Assists with talent development and succession planning

2. Improve Governance of VCERA re Interaction of Board with Chiefs

   - Expand scope of Personnel Committee responsibilities and reporting
   - Make standing committee

Questions?

Thank You For Your Time

Ashley Dunning

Nossaman LLP

**Partner and Co-Chair,
Pensions, Benefits & Investments Group**

San Francisco, CA

415.438.7228 | adunning@nossaman.com

Rick Santos

**Ventura County Employees'
Retirement Association**

Interim Retirement Administrator

Ventura, CA

805.339.2509 | rick.santos@ventura.org

VCERA Today & Tomorrow

Executive Summary

Today, VCERA is foundationally set to handle and manage its growth over the next 5 to 10 years with a few fundamental changes that are typically required of systems the size of VCERA. While some changes in Governance administration, Organizational Structure and succession planning are warranted and discussed, they are not major obstacles towards VCERA achieving efficiencies and managing inevitable System growth.

Fundamentally, VCERA is nearing an "inflection point" in terms of System size and manageability. What may have worked 10 years ago and today, likely will not work 5 to 10 years from now. For instance, since technological changes occur so swiftly, VCERA must strive to keep up with these changes or face having to manage inefficient business practices in an ever-changing and complex pension world.

Another area of concern the Organization should focus on is its public image and outreach. The Alameda Decision and the way the Organization implemented it caused setbacks in a several areas. Not only was VCERA's reputation damaged somewhat across several constituencies, but resources around the Organization were pulled away from other productive and value added tasks to focus solely on Alameda. In this sense, staff growth and Organizational advancement has stagnated over the past 3 years.

The key take-aways from this analysis to acknowledge and consider are the following:

- VCERA is a growing Organization and will look much different 10 to 15 years from now.
- As VCERA membership/asset size grow, all phases of administration become more complex.
- VCERA has a remarkable human resource base from which to springboard to the next level.
- VCERA must continually improve its Infrastructure Technology platform and administration.
- VCERA must continually look for ways to improve business efficiencies and scale.
- VCERA must improve its public face and manage constituent relationships better.
- VCERA should work to improve its governance processes.

Note that examples used in this analysis are not meant to be comprehensive and exhaustive. They are simply meant to kick-start the conversation and considerations of issues the Organization is facing and potential solutions.

Purpose

Under the assumption that VCERA will undertake the creation and implementation of a 3-5 year Strategic Plan in 2024, this paper serves as an assessment of the Organization, including observations on where we are today, expectations on where we need to go and recommended strategic objectives that will allow VCERA to manage inevitable growth and resource requirements it will need.

The changes recommended in this paper are just that, recommendations. Whether the Organization chooses to implement or not, is not an indication of future success or failure. There will always be options and other ways of achieving desired outcomes. This analysis is simply an observation of the state of VCERA today.

Analysis Format

This paper will explore several fundamental aspects of pension administration that drive our core business and resource needs. As the research will show, there are components of our business that are currently being performed and implemented at an optimal level and require little change. Some are satisfactory but will require attention, monitoring and reconsideration later on. And some will be concepts and ideas that require new and different ways of thinking about and managing pension administration in the face of growth and external pressures.   The following ideas and business areas will be studied:

- Public Facing & Communication
- Relationship with the County
- Governance
- VCERA Human Resources
- Technology

For each idea or business area, the paper will describe its *current state*, its *strengths and weaknesses* and *changes recommended* (if any). The paper will conclude with a technical comparison between VCERA and other 1937 Act Systems and potential Strategic Objectives the Organization should consider in 2024.

Comparing VCERA to other 1937 Act Systems allows us to evaluate the way we administer our business and resource allocation in terms of comparative System metrics (the way Systems of various size allocate their resources). Additionally, the comparison exercise may allow the Organization to make inferences on what the future may hold, and potential resources that will be needed.

Analysis

Public Facing & Communication

Current State

Today, the state of VCERA's image or branding and the way it communicates itself publicly, is inadequate. This is an area that has suffered over the past few years, due in part to the way Alameda has been implemented. The amount of time between the actual Decision and the beginning of implementation led to uncertainty about possible outcomes, tensions between VCERA and various constituents, mistrust by members and required internal resources to be diverted to managing these issues which meant less time spent on other value-added endeavors. As such, there is much improvement that can realized in this business area over the next several years. VCERA should work to improve its image/brand and rebuild trust among its constituents.

Strengths and Weaknesses

Fortunately, one of the strengths in this business area that VCERA has not yet exploited is its staff. VCERA staff is of high quality, knowledgeable, passionate about the Organization's mission and as a result, already have the ability to effectively communicate with all its constituents in a professional and affable way. In other words, the potential to develop a culture that strives to enhance the Organization's public face and communication is already very high, needing just to be tapped and managed properly.

On the other hand, resources are currently not being devoted sufficiently to this process. While Alameda is being implemented, there is still risk in our ability to effectively manage and enhance this business area. Additionally, technological tools and contemporary ways of delivering content and messaging are not being used. And finally, an innate culture in the Organization dedicated to effective communication, outreach and public facing has yet to be developed.

Changes Recommended

As VCERA begins to fill empty positions over the next few months, the position of Public Information Officer (PIO) can once again be energized. The Organization should first focus on developing a mission statement with respect to communications. Job duties of the PIO should be clearly defined and dedicated to fostering this culture. Input should be sought from the Board defining the culture.

Historically, retirement systems have shown difficulty navigating communication using a social media presence. Today however, the advantages of these communication tools cannot be overlooked. The Organization needs to explore its use and set parameters around it that coincide with its mission/culture. VCERA should also look for more and better ways to leverage its website in terms of dispensing information. This could be as simple as content reorganization.

The Organization should work on improving its public face through greater outreach to its constituents. In particular, VCERA staff and its mission and culture need to be put out there as much as possible through in-person engagements, such as mid-career retirement seminars, VCERA-centric new employee orientation and occasional in-person presentations and question and answer sessions with retiree groups and labor. The point is that VCERA's presence, image and trustworthiness among its members needs to be repaired and enhanced. Infrastructure such as email marketing platforms should be explored and used to communicate with our members in a more efficient manner, much the same way a profit-oriented business would market its products.

Relationship with the County

Current State

At present, VCERA's improving relations with the County may be considered nascent, however, there is still much work to be done in this area. Alameda implementation and changes in the disability process have been recent headwinds towards fostering a healthy relationship. Additionally, the relationship has not evolved well from a historical perspective.

For instance, many years ago Counties were the only plan sponsor in most retirement systems. The Treasurer-Tax Collector stood as the Plan Administrator. With time, however, Systems grew and took on other plan sponsors creating potentially varying interests. Assets under management became significantly large and Proposition 162 in the early 90's, which augmented the California Constitution, began changing the landscape of the way plan sponsors and Retirement Systems viewed each other. Today, the Constitution imposes a much higher standard of fiduciary duty on Retirement Trustees and administrative independence from plan sponsors. These changes, coupled with administrative cultures that continue to deem Retirement Systems as "County Departments", have been slow to be recognized and understood by both parties. As a result, natural tensions still exist today between Systems and their Counties.

Today, both the County and VCERA understand the relationship has been strained and acknowledge that work in this area is a positive thing and will only serve to enhance our processes and make them more efficient. The governance process and more specifically, the way the Board of Retirement is formed already give Counties much control over issues relating to pension administration. As a result, the System, and in particular its Trustees, must maintain a level of independence, keep its fiduciary requirements at the forefront and do what's in the best interest of the System administratively.

Strengths and Weaknesses

As mentioned above, both parties understand the need for improved relations and appear willing to work towards that end.

Conversely, it is evident there are still fundamental differences between interpreting the administrative roles and responsibilities required of both parties. For example, while VCERA has implemented its "New Model Disability Process" which effectively removes most of the decision-making process from the County, it is clear this new process will take some time getting used to. While the County still wants to (and should) play a role by providing relevant information to trustees and staff regarding the adjudication process, beyond that, there really is no other role any of our plan sponsors should have.

The Board as a whole must balance its fiduciary responsibilities first to its members and secondarily, to its plan sponsors. Keeping this in mind and keeping at "arm's length distance" with all plan sponsors serves to enhance the governance process and will eventually lead to better relationships.

Changes Recommended

This paper makes no attempt at any recommended changes regarding the relationship between VCERA and the County. While some may consider complete administrative autonomy an optimal solution, others may place more weight on managing the relationship. What is known today, is that in the long run, as VCERA grows and evolves, the need for even greater administrative control will increase, requiring dynamic and bold approaches to managing the issue. What follows below are things to consider when managing this relationship.

The natural tension that exists between VCERA and the County is not unique. Many/most Systems face these very same issues. Most are caused by ambiguity regarding the nature of the relationship, while some are built on a platform of control. There have been varying responses from Systems having to deal with these issues:

- *Working to maintain a positive and healthy relationship while acknowledging that issues will come up from time to time and deal with them then*. While this approach works and is the most common amongst 1937 Act Systems, it is transitory and can't be counted on over time as regime changes occur in both Organizations. There are numerous examples where Systems find themselves in a healthy relationship for quite some time, then as leaders (Boards and Executive Staff at both institutions) exit and are replaced by new ones, the relationship sours. This is a passive approach to dealing with the problem and leaves the door open for issues down the road.
- *Counties can defer to the Retirement Boards*. There are some Counties that don't mind the independence and "arms-length" approach to pension administration by their respective Systems and are willing to accommodate the Retirement System's needs. These Systems seem

to have the healthiest relationships with their respective Counties but represent the smallest in the group and those dynamics can change rapidly as explained earlier.

- *Retirement Boards can defer to the County*. A handful of Systems don't mind letting the County have control over most aspects of pension administration. While this does have the advantage of eliminating administrative ambiguity, staff at these Systems usually don't look favorably on this type of arrangement and Trustees must still very carefully navigate their fiduciary responsibilities.
- *Complete or partial "District Status" independence*. While this solution doesn't necessarily solve all of the issues immediately, it does set the relationship off on a path where time (staff and Board turnover at both Organizations) eventually heals the relationship and a new culture begins to emerge, evolving to a point where tensions are forgotten, and the new relationship becomes the norm.

The path chosen depends on how proactive the County and VCERA want to be at managing and cultivating the relationship and what the ultimate goal is. Most Systems push their way through tough times and deal with issues as they happen. However, this approach simply perpetuates the ambiguity and can lead to some damaging consequences in the future that take time to repair.

Of particular note, VCERA staff and its Board will always be better equipped to determine what's in the best interests of the Organization as it relates to its members, staff and administration. Outside entities trying to influence the day-to-day operations and administration of VCERA would be inefficient from a business perspective and is fraught with potential conflicts of interest. If the Organization chooses to take the passive approach, it needs to be prepared to take some hard and uncomfortable stances to manage its fiduciary responsibilities and maintain some form of administrative control.

In general, complete independence should be considered a last resort. Business sense and economies of scale can be achieved by using County services. However, if the lines become blurred between maintaining a good relationship and managing and maintaining the Organization's fiduciary duties to its members, one should consider the possibility. While initial infrastructure costs may be considerable, over time, business competencies are developed that offset these costs and the Organization may run more efficiently. Currently, there are 2 Systems that have complete administrative independence. One contracts back for services from its County, while the other secures administrative services outside of the County or from within.

Both County and VCERA Executive Staff have acknowledged recently that much time and resources have been devoted to maintaining this relationship, both at the Board and staff level. From VCERA's perspective, having to manage the relationship diverts resources away from other value-added endeavors. If VCERA continues to have difficulties managing this relationship in the future, it should consider other solutions.

Governance

Current State

Wikipedia describes the term governance as "the process of making and enforcing decisions within an Organization". For example, this could include governance of areas surrounding compliance, ethics, organizational culture, risk management and information technology/cyber security. Both the Board of

Retirement and staff play key roles in Organizational governance. In general, the Board sets policy and makes higher-level decisions, while staff implements and administers them. Usually, staff is given much latitude on *how* to implement and administer. This section will focus on Board Governance.

The current state of the governance process at VCERA seems to be stuck between policy and administration, although there seems to be indications the balance is shifting more towards policy. The Board has shown a genuine interest in exploring these differences and education has been undertaken. Since the VCERA Board will have 6 new trustees sometime in early 2024, an opportunity exists to design a Board culture that emphasizes prudent and efficient governance with little friction from the past.

Strengths and Weaknesses

As mentioned above, the opportunity to craft a sound governance structure is bolstered by the fact that VCERA will have 6 new trustees. New ways of administering the governance process can be explored and less friction from past practices should create a fresh approach. Additionally, the Board seems interested in implementing contemporary ideas regarding public sector pension plan governance.

The only real weakness or risk that exists today is the "that's the way it's always been done" mentality. Trustees should keep an open mind regarding governance processes and consider the role of the Board as "policymaker" rather than day-to-day management of the retirement system.

Changes Recommended

This section will focus on 7 main areas:

    I.   Use of Committees
   II.   Delegated authority
  III.   Board/Constituent interaction
  IV.   Monitoring process
   V.   Disability administration
  VI.   Chief Technology Officer Position
 VII.   Investment Governance

I. Use of Committees

Relatively speaking, VCERA uses the Committee concept very little. There is an inverse relationship between the number of regular Board meetings needed, their length and the number of Committees a System uses. It is important to realize this does not mean the amount of overall time the Board as a whole devotes to the issues changes, but rather the way analysis and decision making is allocated across the Organization. In general, a Committee reviews, discusses and oftentimes makes decisions at the Committee level, then brings their recommended decision or analysis to the full Board for approval. Most of the time, the full Board approves Committee recommendation, however, there are times when more discussion and analysis are needed before a final decision can be made. Some systems allow the Committees themselves to make the final decisions, however, the downside is that trustees that don't sit on a particular Committee get no exposure to potential issues they may face down the road.

VCERA should consider using the following standing Committees:

- Governance/Finance – This Committee will probably be the most demanding of all the Committees VCERA chooses to employ and arguably the most important. The Governance/Finance Committee should be one that is involved in any of the auditing processes within the Organization and its ultimate results. For example, VCERA's annual audit (ACFR), risk assessments, actuarial procurements and quarterly or semi-annual financial reporting are worthy of the Committee's attention. The Committee may also be involved in approval and recommendation of the annual budget and periodic updates to the full Board.

  This Committee should also be involved with governance policies at the ground level. Staff should work with the Committee to develop governance policies (not internal policies or processes), such as creation, monitoring, and reporting procedures on various items to the full Board. Additionally, the Committee should be involved in setting parameters and dollar thresholds around staff's budgetary discretions (see Section II).

  The Board may also want to temporarily consider splitting this Committee into a Governance Committee and a Finance Committee, since there appears to be much work needed at the outset with respect to new governance considerations.

- Performance Review and Compensation – Since VCERA has 3 positions that report directly to the Board, it is recommended that the performance and compensation of the positions be reviewed regularly and annually. The Committee could take whatever steps it deems necessary to assess performance, then decide the compensation increase warranted. The Committee would recommend its findings to the full Board for approval. Goals should be set at the beginning of each evaluation period and reconciled the following year and compensation increases could be tied to this assessment or reconciliation.

Additionally, ad-hoc Committees can generally be formed for non-recurring items as needed and need not be subject to open meetings requirements.

II. Delegated Authority

VCERA should consider giving staff the ability to make budget type decisions and enter into contracts within certain dollar thresholds. For contracts over a certain threshold, those should go before the Governance/Finance Committee for recommended action and then brought before the full Board for final approval. Examples of budget type decisions below a certain dollar threshold include the actuarial auditing function, basic information technology solutions and most other provider services and even some RFP's (within proscribed dollar limits).

Staff and the Governance/Finance Committee should work together to come up with a more definitive list of those service providers, contractors, RFP types and dollar thresholds. Finally, any delegated decision/contract entries made by staff should be noted and reported out on consent at the next Business Meeting.

Consideration should also be given to approval for items that are more routine in nature. For instance, travel approval for VCERA staff should be a function that falls within the duties of the Retirement

Administrator and reported out to the Board quarterly or semi-annually (see Monitoring Process section).

III. Board/Constituent Interaction

As a reminder, VCERA has a policy which contains recommended Board protocol and behavior regarding interaction and communication with various constituencies. For instance, the policy addresses Board behavior and considerations when communicating with staff, media, service providers, labor, members and plan sponsors. This policy is called the "Trustee Communication Policy".

Instead of summarizing this policy here, it is recommended that Trustees obtain a copy and familiarize themselves with this protocol. The policy and recommended protocols represent a very important aspect of Board governance and serves to eliminate and avoid any ambiguities or potential conflicts of interests that Trustees may face when dealing with various constituencies they most likely will come in contact with.

IV. Monitoring Process

Given that good governance dictates that the Board put trust in staff and delegates certain authority, it does not mean Trustees can "punt" their fiduciary duty and not have a good monitoring policy in place. That is, a good philosophy to abide by is "trust but verify".

Staff should work with the Governance Committee regarding the format and content for a sound monitoring and reporting process. The process should specifically include what reports and information are given to the Board throughout the year.

For example, all negotiated contracts entered into by staff that fall within a set range or threshold should be reported out to the Board. Investment commitments entered into under staff's authority should be reported and all accompanying documentation provided to the Board upon request. Quarterly cash flow reports at a high level are also desirable from a Trustee's perspective. Communication with some outside constituents and content may also be important and considered as policy monitoring.

While the exercise to determine what should be reported out and in what format may be considerable, it does eliminate ambiguity on staff's part (what to report out), and also sets parameters around what Trustees can expect from staff and what may be considered too administrative in nature.

Along those lines, care needs to be taken that the monitoring process does not include oversight on things that are purely administrative in nature and exist at a micro level. For instance, monthly reporting out on check register activity (a practice today) provides very little information to trustees, promotes digging too far down into the administrative responsibilities of staff and is not an efficient use of Trustee or staff's time. Most of the reporting out can also be placed on consent.

Consider the monitoring process as one part of the feedback loop for Trustees. That is, if a sound monitoring process is in place and both staff and the Board take it serious, any issues that may arise with respect to Board duties, involvement and responsibilities should be illuminated by this process and give the Board ample opportunity to make course corrections if need be.

V. Disability Administration

Today, the Board is presented each month, with copious amounts of information on each and every disability case. Even those where evidence is overwhelming, the Board still hears testimony and is inundated with information that may not be easily digested in short periods of time. While each Trustee has a fiduciary duty and commitment to the System, it is nearly impossible to expect Trustees to read and understand all the nuances and opinions of each case. That expectation is simply not realistic.

It is recommended the Board consider ways to streamline the Disability adjudication process. To start, the summaries that the Board receives from staff, while expertly done, still contain much information and history that can be overwhelming. Even if Trustees do read each and every piece of information given to them prior to Board meetings (say 4 or 5 cases), it is unrealistic to assume that this information will be processed and retained just prior to the Board meeting. As such, staff and the Board should consider including a more condensed executive style summary at the beginning of each profile.

Second, since 90 to 95% of all disability cases before the Board are recommended for approval and there is no conflicting evidence from other sources, staff recommends that cases be put on consent for approval. Staff estimates this change would considerably reduce Board meeting time. And, the Board would always have the option of pulling these items off consent if so warranted. Staff intends to call for this question at the December 4th special Board meeting.

VI. Chief Technology Officer Position

For the various reasons noted below, the Board should consider placing the position of Chief Technology Officer under "District" status. Originally, this position was slated to be brought under this status along with 5 others, however, it didn't make it into the legislation in 2015/16. The following lays out reasons for the Board to consider it today:

- This position is involved in policy creation, implementation and strategic planning. Generally, these are characteristics of positions in executive level management.
- 1937 Act Retirement System business models are built on pension administration and all the unique technological issues that go along with that. While there can be similarities across duties within the Retirement System and their respective Counties, there is no position that has the uniqueness that Retirement Systems do when it comes to Technology implementation and maintenance. As such, good governance dictates that Retirement Boards are best suited to craft, recruit, pay and have ultimate disposition over the position.
- Retirement Systems are also governed by a unique and different legal structure (1937 Act). As such, this position needs to be able to operate under and comprehend complex legal issues that affect technology.
- Having a Chief Technology Officer under the District blanket also facilitates the Board's ability to recruit in an unencumbered fashion. That is, the Board can dictate recruitment parameters surrounding the position to account for its uniqueness and competitive requirements. Following another institution's hiring requirements that may not be in line with the Board's objectives for the position, thwarts the governance process as well and doesn't make good business sense.
- Perhaps most importantly, having the position fall under the District blanket facilitates succession planning, since the importance of the position becomes more emphasized and prepares internal staff for the expectations and rigors of the job. It also allows for a potentially

seamless transition and gives internal candidates a chance to shine within the Organization and in front of the Board, placing them in a superior position when it comes time to recruit.

- Finally, in April of 2023, the County had already agreed to the idea of this position falling under District status. So, any perceived friction from pursuing the legislation to achieve this status should not exist.

VII. Investment Governance

Currently, there exists risks within the Investment Governance process at VCERA that should be addressed. Without question, VCERA has a very capable CIO and top-notch support from its consultants. However, VCERA has only 1 internal person (the CIO) devoted to its investment processes that govern approximately $8 billion in assets. This is an odd anomaly compared to other 1937 Act Systems. Some systems even smaller than VCERA have more internal resources. A sampling of several other Systems, show an average of approximately 1 investment staff for every $1.7 billion in assets. This would equate to a System the size of VCERA having roughly 4.5 internal investment staff.

There are a couple of risks the Organization should be concerned with. First and perhaps foremost, is "key person" risk. While it appears that the recruitment for another investment staff has begun, it is imperative that this new individual be brought up to speed on every aspect of VCERA's investment processes and governance as quickly as possible. If possible, the Organization should make every attempt to bring someone on board as seasoned and experienced as possible.

Second, the Organization should begin to build out its investment governance program making it more nimble, internal, experienced and robust. The point here is that as Systems grow, internal interplay in the investment governance process becomes more pronounced. The Organization should consider having at least 3 total internal investment staff on hand. With private investments being as complex as they are, a candidate with investment accounting experience is also highly desirable.

It is nearly impossible for one internal staff to monitor and understand every aspect of VCERA's investments, thus one must turn to the consultants for additional oversight. While the Organization does have external consultants, it is not enough to defer monitoring, reporting and responsibility to the consultants. At this stage (VCERA size), it is imperative that internal staff understand every aspect of VCERA's portfolio and are able to analyze market impacts and report out confidently to the Board each month. Consultants alone (in their current capacity) cannot devote the necessary amount of time demanded by a portfolio the size of VCERA's. For a portfolio the size of VCERA, consultants should focus more on roles such as "contributory", "oversight" a "second set of eyes".

If the Organization lands on the creation of a Governance Committee (mentioned above), governance surrounding the investment process should start there. Staff and the Committee should work hand in hand to document desired processes, analysis, reporting and monitoring.

It is recommended that internal staff begin to take some of the reporting duties in house. For example, monthly and quarterly reporting can be done in house (with some assistance from the consultants). Regular fee monitoring is a topic that Trustees seem to rightly focus on. This analysis should be performed in house and reported out to the Board on a quarterly basis. Current market environments

and potential portfolio impacts should be understood by internal staff, be a core competency of the investment governance process at VCERA and reported out by internal staff on a regular basis.

Not only does this type of governance feed the Board of Retirement valuable information, but it also requires a high level of understanding, accountability and responsibility on the part of staff, and gives the Board confidence that ample time is being spent on the portfolio, and that their internal staff are highly engaged in the process and the Organization's reliance on outside consultants is not uncomfortably overweighted.

VCERA Human Resources

Current State

At its core, VCERA staff is the Organization's most valuable asset and are top notch. The foundations for the Organization and every aspect of its business implementation emanate from its well-developed staff. As such, changes in other areas of the Organization will be easier to implement and come with fewer headwinds than what other Organizations might face. Even so, there are ways VCERA can augment and foster its employees to reach even greater heights.

Strengths and Weaknesses

VCERA as an Organization is a highly desirable place to work from staff's perspective. Its unspoken mission has empowered staff to believe that its work has a positive effect on thousands of lives. Staff takes pride in what they do, and the Organization has several individuals that have aspirations and ambitions of moving up. Overall, staff has a very positive perspective on management and feel they are kept well-informed, mentored, understand expectations and are able to communicate effectively with their supervisors. There is also a general culture of learning at VCERA. Staff understands that to achieve in a complex pension world, they accept and are committed to always be learning.

Weaknesses in this area center around the idea of taking the Organization and staff to the next level. While this is more of a strategy as opposed to a weakness, nevertheless, opportunities for improvement are there. While the foundations of a good succession plan are in place, a more formal plan that fosters employees that wish to move up in the Organization doesn't exist. Staff and organizational growth has stagnated somewhat over the past few years as resources have been pulled in different directions to implement the Alameda Decision.

Changes Recommended

The Organization should focus on two areas for potential improvement (Organizational Structure and Succession Planning):

- **Organizational Structure** – While VCERA's Org Structure is reasonably prepared to meet the Organization's needs as it grows, there are a couple recommended changes to consider. First, consider the creation of a Deputy Administrator. The System has grown to a point where multiple facets of administration exist that are becoming onerous for one person to embrace.

  Fortunately, we have 20 examples of how County Retirement Systems evolve. The changes we see are mainly reactions to a need for managing System growth and its increasing complexities. When Systems are very young and/or very small, a more vertical Organizational structure may

function very well. A well-informed and seasoned leader can make nearly all of the business decisions with few exogenous pressures. However, as Systems grow and complexities increase, political pressure from multiple constituencies began to emerge. Tax issues become more complex. Legal issues and lawsuits eventually become the norm.   Additionally, relationship building, public facing and Organizational communication become very important components of running a larger pension plan.

As a result, one person cannot reasonably oversee all aspects of a Pension Plan effectively. We see numerous examples of Systems with a Deputy (and even Deputies) embedded in the Organizational Structure. Even some smaller Systems (smaller than VCERA) have already incorporated the concept of a Deputy Administrator.

The role of a Deputy Administrator should be managing and directing the day-to-day business administrative aspects (more internal) of the Organization. For instance, overseeing HR functions, information technology issues, fiscal services, and benefit services. The Deputy should be highly engaged in internal operations of the Organizations. This does not mean the Deputy makes all the functional decisions in the Organization, but rather oversees and assists in in the decision-making process and is responsible for the managerial staff (direct reports) overseeing each functional area. The position also works very closely with the "CEO" of the Organization keeping that position informed at a higher level. And finally, the position of Deputy becomes a natural next step in the ascension to the CEO level and facilitates succession planning (this idea is discussed in the next section).

As Systems grow, a CEO's job becomes more directional. That is, the CEO's job is to set and maintain the Organizational culture, keep it focused and on point, managing relations and making course corrections if need be. For instance, the CEO should be responsible for the following:

I. Agenda management and information flow
II. The dispensation, management and flow of information to the Board outside of the normal meeting process
III. Being the public face of the Organization to various entities and the media
IV. Managing constituent relations and other relationships
V. The overall health, well-being and culture of the Organization
VI. Setting and managing the Strategic direction of the Organization

While this list is by no means exhaustive, it does represent a conceptualized view of the responsibilities of a CEO in a larger Organization.

Finally, the Organization should consider separating out the Benefit Administrative functional area from the Operational Administrative functional area in its structure. For instance, today the Operations functional area is defined as being responsible for everything except investments, fiscal, IT and legal. An opportunity exists to be more definitive in functional roles and responsibilities across the Organization. This change would facilitate the accumulation of a specified knowledge base in each respective functional area and allow the manager to be more focused on his/her role and responsibilities within the Organization. The Benefits functional area should encompass the following sub-functional areas:

I. Active/Community Property
II. Retiree/Death
III. Disability

And the Operations functional area should have the following sub-functional areas under its purview:

I. Customer Service
II. Communication
III. Clerk of the Board
IV. HR/Payroll
V. Office/Staff Support

In is interesting to note that as Retirement Systems continue to grow, these sub-functional areas generally evolve into their own unique functional area within the Organization.

The following is an example of a conceptual Organizational Structure indicative of the ideas discussed in this paper:
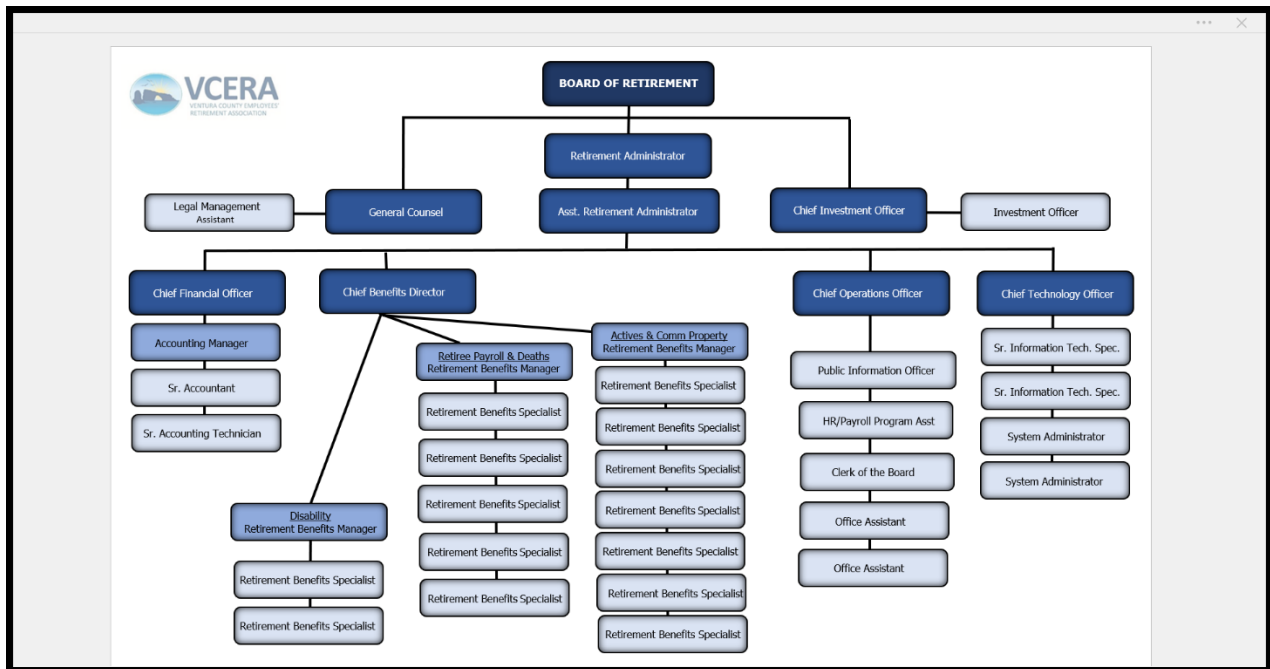
- **Succession Planning** – Succession planning is a concern for all 1937 Act Systems. For various reasons, smaller Systems seem to have a more difficult time with succession planning. A lack of employees wishing to move up, insufficient training opportunities and a culture (or lack of) that clearly defines a "roadmap" or path for employees are often impediments faced by smaller organizations. Fortunately for VCERA, these impediments should be easy to overcome.

First, through talks with employees in the Organization, there are a good number of staff that have a desire to move into management and even executive level positions. Technical training

opportunities abound so long as staff are given the opportunity to attend and participate. However, through staff communication, it became clear that traditional technical opportunities may not be enough.

While technical training opportunities and formal leadership classes are abundant (County, CalaPRS, NCPERS, SACRS, etc.), the reality is that most technical experience and education will come naturally from years of work in the public pension arena. What is lacking is preparing employees with aspirations of management and higher, for the realities of the job. Many employees feel that seniority and knowledge are the keys to advancement. While these factors are important, they don't address the time and experience required to manage issues and problems management and executive staff face.

For example, dealing with Human Resources issues are generally more complex, time consuming and uncomfortable than most employees realize. Learning how to prioritize and manage tasks and time is also something that's not necessarily taught. And finally, understanding what it takes to engage in the inner workings of executive level decision making and communication is rarely understood or appreciated. While training opportunities exist that touch upon these issues, nothing compares to actually being immersed in this world firsthand.

Employees that show promise of moving into leadership positions in the Organization should have an opportunity to "buddy" with senior management and executives for periods of time to understand what it really takes to succeed in these roles and be kept informed of issues faced at this level. For example, at one time, a large Organization had a "Young Leadership" program in place. This program allowed promising employees to shadow senior management and executive staff for a few hours each month. Wherever executive staff went, so too did the candidate. While the candidates did essentially nothing but observe, it gave them a glimpse into what an executive faces and decisions that are made. In light of the fact that VCERA has several employees that aspire to higher positions (including executive positions) in the Organization, a similar type concept should be investigated and considered.

Lastly, it was mentioned earlier that the position of Deputy Administrator becomes a natural next step in the ascension to the CEO position and facilitates succession planning. The idea of a Deputy position provides more latitude to the Board filling the CEO position when needed.

For example, having a Deputy allows the position to develop an understanding of the current culture and strategic direction of the Organization. When it comes time to fill the position of CEO, the Board can decide whether the current Deputy brings the right mix of leadership skills to the Organization. If the Board is happy and decides the current strategic direction of the Organization should be maintained and the transfer of power seamless, the Deputy would be a natural extension of the current CEO. On the other hand, if the Board thinks the Organization should shift gears and change its culture and strategic direction, then looking outside the Organization may be a better choice. Regardless, the position of Deputy opens up a new dimension of succession planning at the very top of the Organization and gives the Board latitude in its choice.

Technology

This section is divided into sub-sections devoted to specific and important topics within this business area. Each subsection is worthy of its own consideration and discussion. The following topics will be explored:

- Technology in General at VCERA
- Member Self-Service
- Pension Administration System
- Enterprise Financial Management
- Enterprise Content Management
- Electronic Signatures and Online Forms

Technology in General at VCERA

Current State

Until recently, VCERA did not have an IT Department. "IT" (hereto forward referred to only as VCERA) was at the time comprised of 2 established Systems Administrators and 2 part time contractors that reported to the Chief Operations Officer. With the hiring of a Chief Technology Officer (CTO) in November 2018, the goal was to build a fully functional IT Department. Over the past 5 years, VCERA has reduced reliance on most outside IT contractors and has hired 2 additional full-time technical staff. VCERA over the years has matured in its support of the business as well as its philosophy on security, with assistance from Gartner, support from the Board of Retirement and CTO leadership.

A major accomplishment for VCERA was at the start of the pandemic. Business continuity within the IT Department at VCERA was already in place, which provided the capability to quickly connect staff working from home to the office, almost seamlessly.

Some of the major initiatives that VCERA has completed over the past 5 years include a documented Cybersecurity Plan that includes penetration testing, cybersecurity best practices, secure password management, employee training, secure email, phishing campaigns and more. The Cybersecurity Plan is continuous and constantly being improved based off guidance from Gartner and industry standards and best practices. In alignment with cybersecurity best practices, multi-factor authentication (MFA) was configured on the Member Portal to provide an additional layer of security.

Recently, VCERA implemented a new Agenda Management solution to improve internal workflow, trustee experience and public meeting viewing capabilities. Alongside this project, the video conferencing equipment in the Boardroom was upgraded to provide improved audio and video capabilities.

The pension administration system, V3, is the enterprise application used by VCERA to calculate retirement benefits for members. In November 2018, the relationship between VCERA and Vitech was strained and lacked trust and confidence. Support provided by the vendor was inadequate and required a lot of extra work from VCERA staff to ensure that enhancements and bug fixes implemented into V3 were fully functional. Over the years, this relationship has grown and become more of a partnership. VCERA developed an internal testing plan to systematically perform regression testing of all

enhancements and bug fixes, which also required the need to include VCERA Operations staff to assist with testing as well.

There are several other projects and departmental changes that took place within the IT Department over the past 5 years that made process improvements in workflow, asset tracking, auditing, policy adoption and more.

Strengths and Weaknesses

While VCERA's dispensation and administration of its business operations is reasonably efficient today, it has underinvested in technology and has overlooked the need for technological improvements going forward. Management of the Alameda implementation has contributed to a lack of business engagement (new process development) and since VCERA has been slow to incorporate contemporary technology into its mission, business processes and strategic plan, the Organization's ability to provide streamlined and efficient services to staff and members has been hindered and shifted VCERA out of alignment with other 1937 Act Systems.

Technology is a revolving door and introduces the need for continuous modernization of infrastructure, applications, business continuity, next-generation services for members, improvements to business processes, and reduction of risk to modern security threats. Continuous modernization is a key strategy used to incorporate evolving technology into the core business operating model.

Recommended Changes

Over the next 3-5 years, VCERA should begin investing in technology that will provide better services to members, tools to improve efficiencies in business processes and reduce overall risk.

As VCERA has grown, the Organization's mission and vision statements have remained static and do not include IT. IT is the engine that supports and drives change throughout the Organization. It is imperative that the information technology function has a seat at the table and is included in the Organization's overall Strategic Planning and business direction, with support from the Board of Retirement and Executive Staff.

To keep VCERA in alignment with current and future technology trends and digital initiatives, the following technologies should be incorporated, and the business processes should be aligned to accompany the efficiencies the technology will provide.

Member Self-Service

Current State

The current state of Member Self-Service is tied up entirely in today's Member Web Portal. And since the Member Web Portal is not robust in its current form and has limited capabilities to grow with VCERA's current needs and mission related to this topic, Member Self-Service is basically at the ground level. Member Self-Service and education is an area where the Organization can capitalize from a business perspective and its importance on the future direction of the Organization cannot be over-emphasized. In fact, it could stand alone as its own Strategic Objective for the Organization.

Strengths and Weaknesses

One of the strengths (or opportunity) VCERA has regarding Member Self-Service is the fact that the Organization will be needing to implement a new Pension Administration System in the near term. As VCERA begins its design of the new System, the creation and implementation of a new Member Web Portal will be a part of that project. As such, new technologies surrounding member self-service can be discussed and designed. The Organization can decide how much access members have with respect to their data, what they can do with that data and the types of services members can perform on their own.

Changes Recommended

VCERA's member demographics have a direct correlation with the expectation of services that will need to be provided. As these demographics shift and members adapt the use of technology into their everyday lives, there is an assumption that VCERA will provide automated services. To achieve this, VCERA must embark upon a continuous modernization strategy as part of the Organization's mission and vision by including technology in both member expectations and business processes.

For example, implementing the use of electronic signatures will provide members with the opportunity to complete and digitally sign their retirement forms from anywhere in the world, on any device, and submit securely and immediately to VCERA. This process in turn allows VCERA to automate the tasks of validating, cataloging, processing and storing the files into an enterprise content management system alongside all files directly related to that member. Transitioning to digital forms, electronic storage and reducing paper processing, increases VCERA's business continuity and reduces both costs and the risk of data loss.

A member web portal should be designed to allow members the ability to make financial transactions, make changes to allowable data, fill out and submit as many VCERA forms as possible, add/change beneficiary information and most importantly, explore permutations of future retirement outcomes.

For example, the web portal should provide members information regarding not only their future projected benefit based on today's data, but also give them the tools to find out how long they would have to work to acquire a desired benefit level. It should allow them to project benefits based on their own expected salary increases. The portal should also integrate plan sponsor information regarding any 457 type benefits members could expect to receive based on current balances and projected contributions. The point behind a member web portal and self-service is not only to allow VCERA to be more efficient and cut down on staff time, but also to give members the ability take more control and accountability over their futures. Finally, behind any successful and robust member self-service web portal comes the need for member education.

VCERA should strive to educate its members on the power of its member web portal and provide electronic forms of self-education (outside the normal in-person seminars mentioned elsewhere) on its platform. Again, the goal here is to pull staff out of the responsibility (to a degree) of serving and educating its members and place that requirement where it rightly belongs; on the members themselves.

While the direction of member self-service is to continuously modernize and transition to fully automated services, there will still be a need to provide direct service to some member demographics. This population is small in comparison to those that prefer self-service options. Nevertheless, the Organization should provide options to those who aren't comfortable with technology. The business

processes should continue to strive towards automation and efficient workflows, which in turn, will provide staff with the opportunity to assist members in learning new self-service options or manually completing their retirement tasks. At some point in the future, VCERA's member population will nearly all be geared towards a self-service model. VCERA must be in a position to capitalize on those inherent efficiencies that are available and be able to scale up its business operations at little additional cost as its membership grows.

Pension Administration System

Current State

The current state of VCERA's Pension Administration System (PAS) is degrading and will be end of life within the next 10 years. The technology put in place over 7 years ago has changed significantly and the vendor has shifted focus to their new products and will not continue to support old technology (hardware and software) past the end-of-life date. As designed, the current PAS cannot support new self-service features for members, has procedural inefficiencies and has a limited ability to integrate with other business software and security features. As technology changes, member demographics become more streamlined and security vulnerabilities become more sophisticated, while VCERA's PAS stays the same and becomes more costly to support.

Strengths and Weaknesses

The current PAS provided VCERA with an automated tool to improve retirement benefits processing, retiree payroll, and self-service options for members, but as technology has shifted and modernized, the PAS has remained static with the limited efficiencies it can provide. As the PAS software and hardware age, security vulnerabilities become more frequent and are routinely exploited by bad actors. Supporting aging and vulnerable technology is costly and is a significant risk to both VCERA and its members.

Changes Recommendations

The implementation of a new PAS will take several years and should be a top priority for VCERA. The bulk of the work for a new PAS cannot start until the majority of Alameda is complete, but there is a legitimate need to begin the groundwork now. As VCERA transitions through the stages of Alameda and temporary staff are hired, discussions should commence between the functional units in the Organization to determine the needs and requirements for a new PAS.

The cost of implementing a new PAS is significant and VCERA will be responsible for paying support, maintenance and hosting fees for the current PAS as well as paying for the new infrastructure, software development and implementation of a new/upgraded PAS. There will be overlap between both systems for several years, which ensures VCERA can continue to process benefits and pay retirees while the new PAS is being developed.

This is an area that VCERA must devote significant resources to. As the PAS approaches end-of-life, VCERA takes on more risk and cost to keep aging hardware and software running. To reduce these risks, it is strongly recommended that VCERA begins the process of finding a new PAS now.

Enterprise Financial Management

Current State

The current state of VCERA's Financial Management System (FMS) and business processes are antiquated and highly manual. The current FMS is approaching the end-of-life and does not have the ability to provide staff with efficient business processing, automation, or data validation.

There are several business processes within the Fiscal Department that are manual and repetitive and would benefit from technology and automation. Staff would no longer be required to perform repetitive low-level tasks and would be freed up to perform higher level analysis and tasks in support of the business and its growth.

Strengths and Weaknesses

Nearly every business process performed by VCERA's Fiscal Team is manual and repetitive. The FMS does not have the ability to validate the information entered, so it lends itself to data integrity issues and potential input errors. The processing of financial reports, accounts payable, contracts, accounting, and budgeting are all manual processes that lend themselves to data validation errors. The current version of VCERA's FMS does not allow for integration of current financial practices, contract management, budgeting, or investment portfolio management. With the current processing happening outside the FMS, the ability to validate data, track version control and validate that signatures were not altered, is a security risk.

VCERA's Fiscal staff are efficient and navigate the current manual processes but with automated processes they will be able to provide valuable input to improve business processes and efficiencies within the department, as well as take advantage of the benefits of electronic file transfers (EFT) and ACH transfers.

Changes Recommendations

There is an immediate need to upgrade VCERA's FMS and is currently underway. The goal is to find a more secure and automated tool for staff to effectively manage the finances now and in the future, including the option to manage investments. With investments being managed by outside entities and internal staff that aren't well versed in investment accounting, this is a potential point of failure. The organization should have some insight into this process, documentation, management and reconciliation practices which should all be incorporated into the FMS.

VCERA should invest in an FMS that supports automated processing, artificial intelligence, integration with other software solutions (i.e., electronic signatures and online forms) to improve business processing.

Since the current FMS is approaching end-of-life, the longer VCERA waits, the more risk and potentially higher cost are incurred. To reduce these risks, it is strongly recommended that VCERA begin the process of finding a new FMS now and has business support to progress through this enterprise level project.

Enterprise Content Management

Current State

Currently VCERA uses an Enterprise Content Management (ECM) solution that is proprietary to the pension administration system, V3. The only data stored in this document management system is data that is accessible by V3. All other forms of data are stored in different electronic formats in varying locations, which results in data duplication and version inconsistencies. VCERA also has a significant amount of data in paper form, stored both onsite and offsite, as well as physical microfiche.

Strengths and Weaknesses

VCERA has a sizable amount of (physical and electronic) data: legal, financial, member, disability, investment, human resources, administrative, information technology and historical. While the Organization's electronic data is backed up, the physical data is at risk for potential data loss, theft, or destruction.

With data being stored in multiple locations and in multiple formats, VCERA's ability to catalog and categorize it effectively to streamline, store, validate and quickly retrieve information is hindered. There are legitimate business continuity concerns with the physical data because there may be only one copy, with no backup. Without a centralized data repository, data cannot be consolidated or shared between multiple applications to incorporate digital business processes.

Changes Recommendations

To reduce risk, improve productivity, efficiencies, and member experience, VCERA should consider transitioning to digital processing and eliminating paper-based tasks. An ECM will provide centralized consolidation of all VCERA data, across the various departments, multiple applications and will provide a holistic view of all related data. This technology will provide VCERA with the ability to backup all data and store it securely for disaster recovery and business continuity. By eliminating paper and digitizing the Organization's business processes, it will improve operations and streamline data processing, while reduce VCERA's carbon footprint as well as reducing the risks and costs of physically storing data both offsite and onsite.

Electronic Signatures and Online Forms

Current State

VCERA's business processes that require the use of forms, are in a hybrid state of physical and semi-electronic. There have been small improvements to improve member and internal business processes to digitally signing documents, but they are semi-electronic and can easily be manipulated. These manual processes lend themselves to error, increased paper processing, opportunity for tampering, lack of audit and compliance controls and increased overall cost, risk, and business processing time.

Strengths and Weaknesses

VCERA's current manual business processes lend themselves to error, increased paper processing, opportunity for tampering, lack of audit and compliance controls and increased overall business processing time.

Choosing not to adopt the use of electronic signatures or online forms is a disservice to both members and staff. There are several financial business processes, contract agreements, investments engagements, etc. that require signatures and the opportunity to tamper with signatures is real. There are limited abilities to protect the data and audit the process of tracking with the current process is limited.

Members are required to download, print, and fill out forms and have them either scan or take a photo and email (insecurely), mail, or physically drop off their completed forms. This process assumes that members have the tools to perform these tasks. With the rapid changes in technology and member demographics, these processes may not be easily completed. Paper processes require additional time because of the need to manually enter data into the system, manually verify the information and wait for documents to be sent back and forth. These processes put protected information at risk and have increased overall costs.

Changes Recommendations

VCERA would benefit from the implementation of electronic signatures and online forms. Transitioning to digitally streamlined processes provides the opportunity to identify and verify individuals, validate the data submitted and improve the integrity of VCERA's business processes. Business processing time will be reduced, members can securely sign and return documents quickly from anywhere in the world, thus reducing costs, data loss and risks to both VCERA and its members.

Summary

As VCERA continues to modernize its technology the need to support this technology will grow, thus seeing growth in the IT Department. To effectively automate and enhance member services, improve staff efficiencies and workflows, and develop streamlined business policies and procedures, IT must be part of the decision-making process, requirements gathering, evaluation, implementation, and overall support.

VCERA's Chief Technology Officer currently performs daily operational and project management tasks which reduces opportunities to proactively plan for the future of VCERA's technology and strategic initiatives, such as disaster recovery and business continuity, reduction of cybersecurity risk, infrastructure improvements, advanced automation, etc.

The modernization of the PAS is one of VCERA's most important IT initiatives. VCERA's IT staff that support the PAS are currently at capacity with daily operations, which reduces opportunities for data validation and governance, quality and assurance controls, in-depth software testing, and planning for future improvements. As the planning for a new PAS begins, IT staffing and business requirements should be evaluated to fill the gaps.

VCERA IT is adequately staffed for the current workload, but as VCERA shifts to implement more automation and technologies, anticipated growth should be expected within the IT Department.

Adopting a continuous modernization philosophy, is key to leveraging the full potential of disruptive technologies and staff the IT Department to support these technologies. This is a strategy to progressively and continuously evolve the existing architecture to incorporate emerging technologies in the core business operating model to provide digital services that members come to expect.

Strategic Objectives Consideration

The following are 4 Strategic Objectives the Organization should consider adopting and are worthy of implementation over the next several years. These objectives can propel VCERA forward over the next 3 to 5 years, create business efficiencies, manage its public facing and enhance our ability to handle the inevitable growth the System will face. Note that these are only recommendations and are at the absolute highest level of a Strategic Plan (no attempt is made here to discuss action items and/or deliverables):

1. Modernize VCERA's infrastructure and approach to Technology dispensation.
2. Improve the public face of VCERA.
3. Embrace and implement a self-service business model for VCERA members.
4. Improve and enhance governance processes at VCERA.

System Comparison

Comparing VCERA to other Systems allows one to make assumptions on how well services are used across the Organization, where VCERA may be heading (as it grows) by understanding how resources allocated compare to other systems and any outliers that may exist with respect to the way VCERA administers its business.

The data used in these comparisons were provided by the Systems themselves and/or were obtained from other sources by VCERA staff. Users of this data must take into account that Systems in general, have differing definitions of data elements and have not been audited by VCERA staff. However, given the homogeneity in the following exhibits, in general, these should be fairly representative of the elements being examined.

Finally, LACERA and San Francisco County have been removed from this analysis because of their relative sizes which created obvious anomalies in the results.

The following table shows System size by both membership and assets under management. This should provide some perspective when analyzing the comparison exhibits.

System	Members	Assets
Alameda	25,493	$9,257,791,490
Contra Costa	24,635	10,434,412,288
Fresno	20,471	6,134,136,000
Imperial	4,317	1,091,781,000
Kern	22,106	4,806,026,000
Marin	7,233	3,009,900,000
Merced	5,809	1,064,400,000
Orange	50,633	19,488,761,000
Sacramento	30,815	11,830,000,000
San Bernardino	43,285	13,302,916,000
San Diego	47,217	14,540,337,181
San Joaquin	15,727	4,198,788,004
San Mateo	10,535	5,649,674,446

Santa Barbara	11,138	3,896,842,594
Sonoma	10,320	3,169,632,135
Stanislaus	7,855	2,526,425,344
Tulare	9,846	1,819,009,000
Ventura	20,896	7,025,332,000

Number of Staff Per Million in Budgetary Dollars

The following chart shows how many employees a System uses per million of budgetary dollars. This metric could be considered as a measure of how employee dollars are allocated across the System. The higher this metric, in general, the more dollars being allocated towards employee costs and less to other budgetary areas. This does not mean that a System is necessarily over-spending on employee costs, just that a greater comparative proportion of budgetary dollars are going to human resources.

Staff Number Per Million in Budgetary Dollars
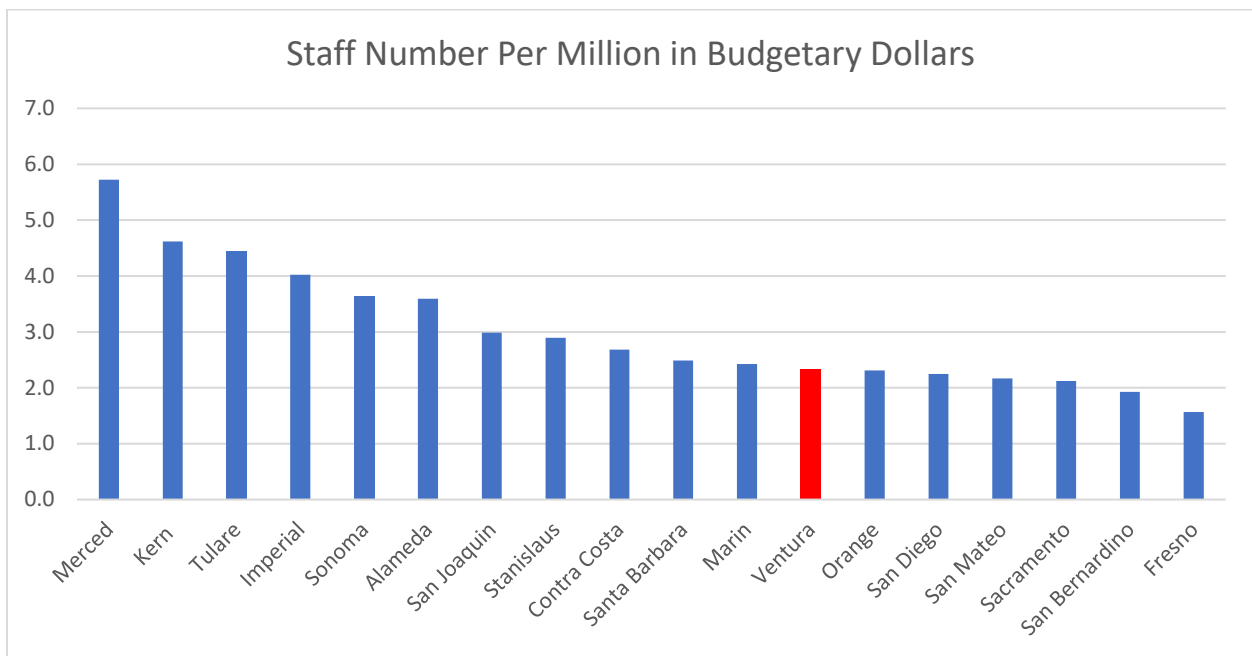
There appears to be a loose, inverse relationship (30% R-Square) between System size and the proportion of dollars going to employee costs. As Systems get larger, they appear to develop scale in terms of human resources and are able to allocate a greater portion of budgetary dollars to other areas in the Organization.

<u>Active Members Per Staff</u>

This chart measures the theoretical number of active members served by each individual staff. It can be considered a measure of efficiency in the dispensation of member services but does not measure how *well* an Organization services its members.
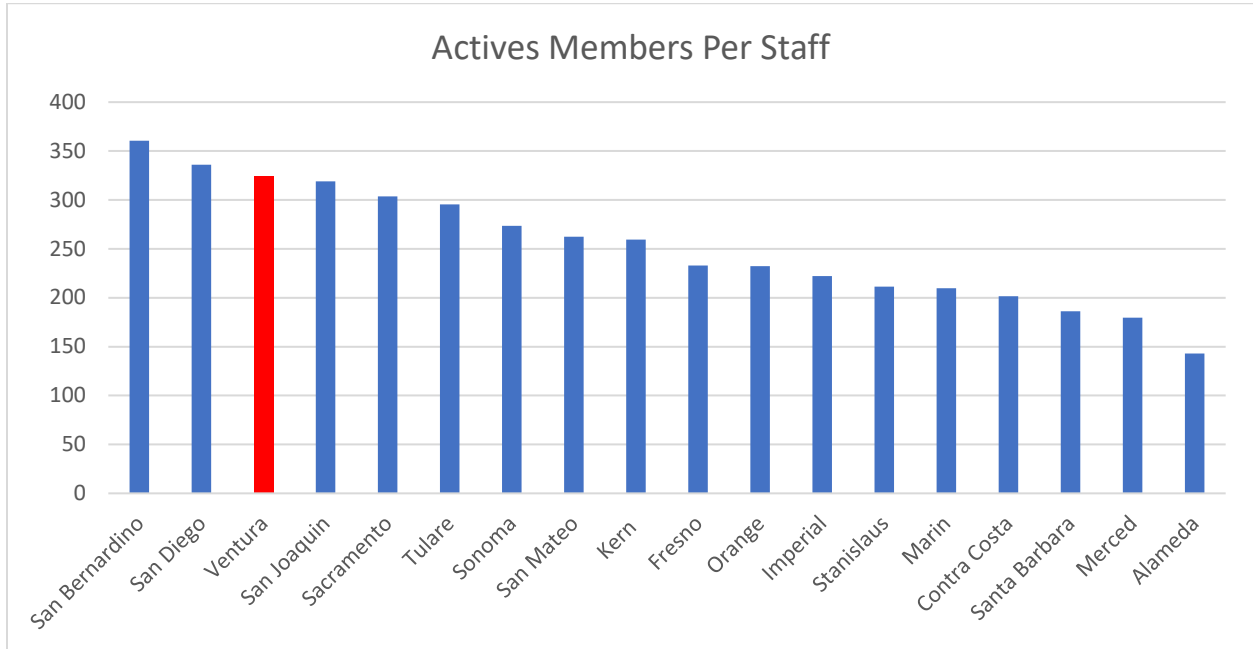

There appears to be no mathematical relationship between System size and members served by staff.

Staff Allocation as a % of Total Across Organizational Functional Areas

This graph compares how Systems allocate human resources across functional areas within the Organization. Caution should be taken when interpreting these results. For instance, Organizations with no staff devoted to IT, should be interpreted as simply Systems contracting back with their respective Counties for services.

One key takeaway from this analysis is the observation that every System devotes a majority of their human resources to managing benefit administration. Today, benefit administration requires large amounts of staff time. This represents an attractive opportunity in the future as Systems take advantage of contemporary technologies and move to a more "Member Self-Service" business model. As time progresses, our membership will come to demand more self-service type applications and VCERA should be ready to fill those needs and in the process, reduce costs.

Staff Number as a % of Total Staff By Functional Area
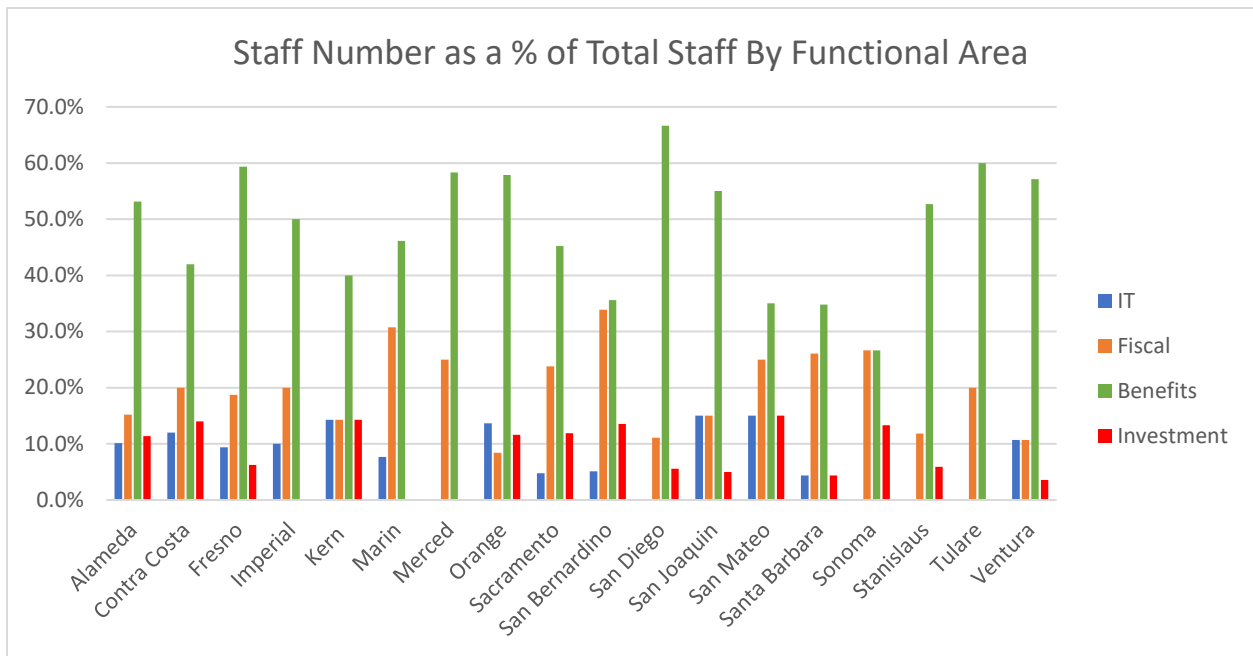
<u>IT Budget as a % of Total</u>

The following graph describes the percentage of the total budget devoted to Information Technology. Here too, there seems to be no relationship between System size and dollars spent on IT services. This graph should be interpreted with care as well. While it is true that some Systems place greater emphasis on the value of security and information technology, some of the data samples in this analysis may represent current/new technological implementations.

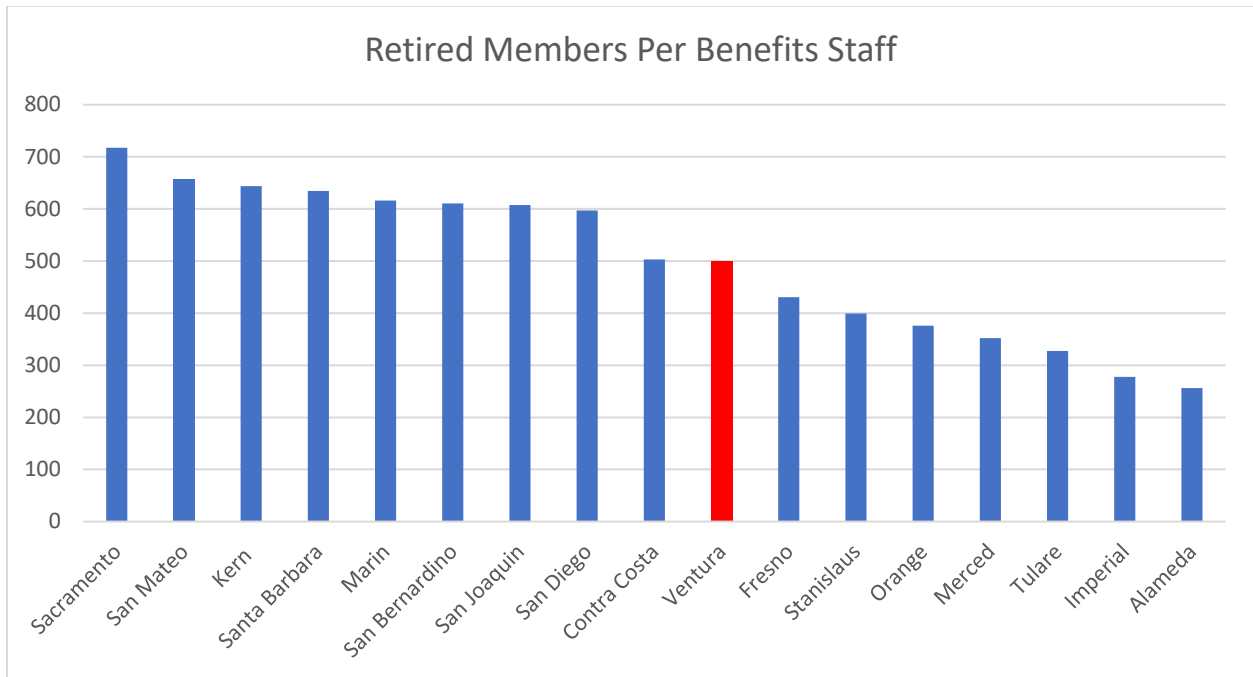IT Budget as a % of Total Budget
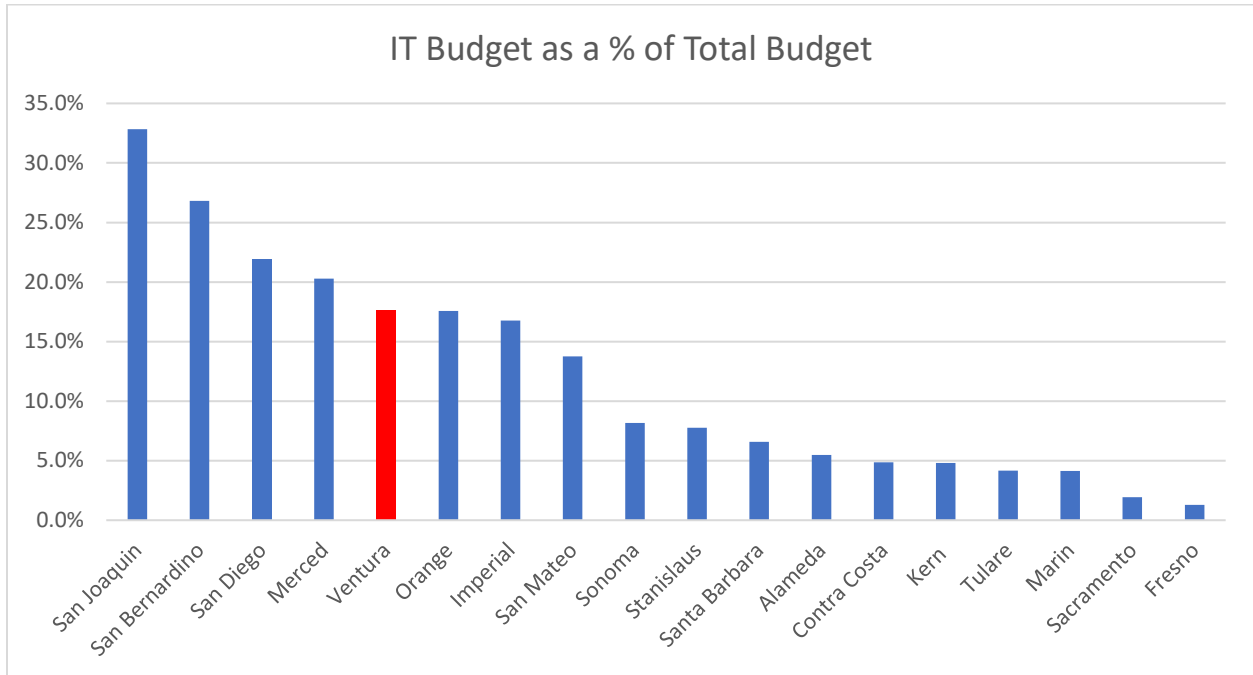
Annual Disabilities as a % of Active Members

The following shows annual disabilities as a % of total active members. For various reasons, one would expect variances between Systems to be small, however, differences in this metric could be attributed to the adjudication policies and processes in place, Organizational philosophies on disabilities and general/safety membership splits across Systems.

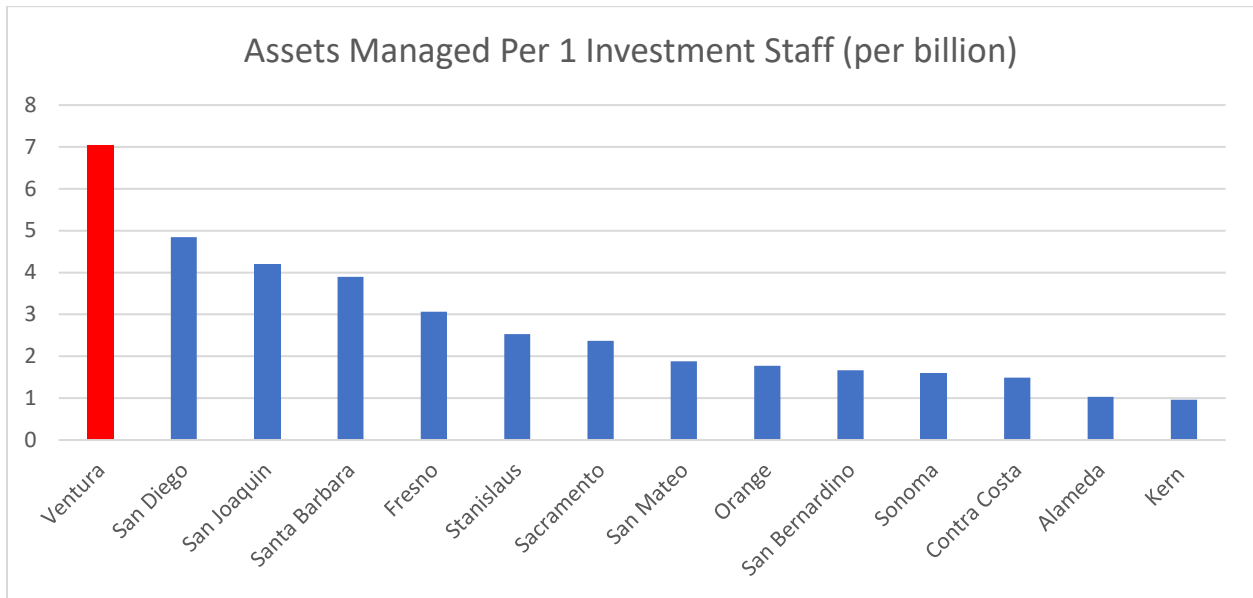Annual Disabilities as a % of Active Members
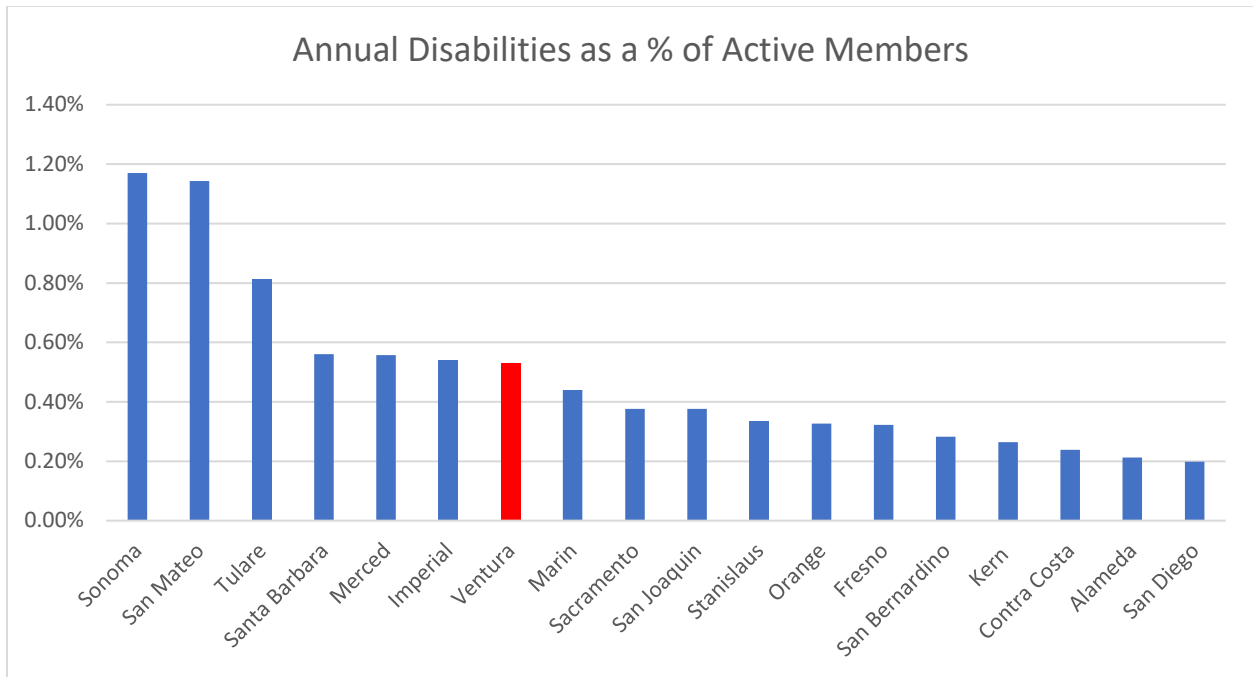
Retired Members Served Per Benefit Staff

The following exhibit shows the number of retirees and beneficiaries served by staff that are dedicated to benefit administration. This is another efficiency metric and suggests how efficient retirement services are being dispensed to retirees and beneficiaries. Again, no inference can be made regarding the quality of services provided.

Retired Members Per Benefits Staff

Bar chart showing retired members per benefits staff by county, in descending order:

County	Value (approx.)
Sacramento	715
San Mateo	660
Kern	645
Santa Barbara	635
Marin	615
San Bernardino	610
San Joaquin	608
San Diego	597
Contra Costa	503
Ventura	500
Fresno	430
Stanislaus	400
Orange	377
Merced	352
Tulare	327
Imperial	278
Alameda	257

Assets Managed per Investment Staff

The following shows the number of assets managed (per billion) per 1 Investment Staff at each Organization. This chart clearly shows that VCERA remains somewhat of an anomaly across 1937 ACT systems when it comes to internal investment governance and oversight.

Assets Managed Per 1 Investment Staff (per billion)

Organization	Value
Ventura	7.0
San Diego	4.85
San Joaquin	4.2
Santa Barbara	3.9
Fresno	3.05
Stanislaus	2.5
Sacramento	2.35
San Mateo	1.9
Orange	1.75
San Bernardino	1.65
Sonoma	1.6
Contra Costa	1.45
Alameda	1.0
Kern	0.95

VCERA Today & Tomorrow

Rick Santos, Interim Retirement Administrator & Leah Oliver, VCERA Chief Technology Officer

Agenda

- Summary

- Business Area Analysis

- Potential Strategic Objectives

- System Comparisons

Introduction

This analysis is an observation on the state of VCERA today and considerations for the future. It should not be interpreted as an implementation blueprint, but rather a discussion about how the Organization should look at and handle the inevitable growth it will face down the road.

Observations

- VCERA is not a small Organization
- VCERA is growing and will look much different down the road
- As VCERA grows, administration will become more complex
- VCERA has a remarkable human resource base
- Minor course adjustments will take VCERA to that next level

The End Game

- Create a 3 to 5 year Strategic Plan

- Focus on the following

  - Capitalize on available technologies

  - Enhance governance processes

  - Move to a member self-service philosophy

  - Develop a communications philosophy

Public Face & Communication

Improve VCERA's image using effective communication tools & ideas

Current State

- Alameda implementation was slow
- Messaging was inadequate
- Uncertain outcomes
- Need to rebuild trust
- Organization has no communication goals/ideas

Strengths & Weaknesses

- VCERA staff
  - Effective communicators
  - Dedicated to mission
  - Desire to effect positive change
  - Understand the impact they have on others

- Alameda
  - Still a drain on resources
- Content delivery
  - Social media and member web portal
- Culture development
  - Communication is a mission

Considerations

- Develop communication policies & PIO job description
  - Review goals and organizational philosophy
  - Board should be consulted on its development

- Use of social medias
  - Determine appropriate boundaries and philosophy

- Public outreach
  - Encourage more in-person meetings with constituent groups

Relationship with the County

Work to maintain a productive and healthy relationship with an awareness

Current State

- Seems to be improving (no direct context)
- VCERA and the County understand the need for a positive relationship
  - Ultimately, we both want the same things
- Roles & relationships are still uncertain
  - Regime changes
  - "Department"

Strengths & Weaknesses

- County and VCERA exchanges are positive
  - Fine over the past several months

- Some "clunkiness" still in the disability process
  - "Big process"
  - A lot of resources/eyes in the process
  - Potential for ambiguity in understanding roles
  - Workers Comp plays an inordinate role

- No observations on organizational structure or classification issues
  - This could alter the landscape

Considerations

- Maintain and enhance the relationship
  - Strive to work together
  - Strive to understand roles & relationships
  - Continually reinforce VCERA's fiduciary role in disability adjudication

- Be prepared for headwinds
  - Uncomfortableness down the road
  - Balancing fiduciary duties with organizational challenges
  - Strained relations nearly *always* arise out of salary and classification issues

Governance

Enhance organizational governance processes

Current State

- Stuck a bit between policy and administration

- Moving in the right direction

- Willingness to consider changes

Strengths & Weaknesses

- 6 new trustees in 2024 can create opportunity
  - New eyes looking at the process

- Less friction with past practices

- Biased connections with past practices

Committee Considerations

- Additional Committees to consider
  - Governance: Recommends delegated authorities including investments, dollar thresholds, reporting, monitoring & policy
  - Performance Review and Compensation: Analyzes the annual performance of 3 positions that report to the Board; goals; compensation
- *Should* reduce full Board meeting time
- Committees should make decision making more efficient
  - Gov. Committee will carry considerable duties in the beginning

Delegated Authority Considerations

- Consider expanding delegated authority to staff
  - Investment decisions within threshold amounts
  - RFP contracts within limits
  - IT Contracts
  - Other providers

- Governance Committee should recommend (start small)
  - Decision authorities
  - Limitations or boundaries on authority
  - Creating a "feedback" loop

Monitoring Considerations

- Monitoring process: "Trust and verify"
- Develop reporting responsibilities back to the full Board
- A continuous process or "feedback loop"
  - Delegation
  - Execution
  - Reporting
  - Board feedback to staff
- High level stuff; not "down in the weeds"
  - Investment allocations
  - Quarterly cash flow reports
  - IT/vendor contracts

Disability Process Considerations

- Streamline the disability adjudication process
- Consider the County's role in the process
    - Independence of the Worker's Comp process
    - Preliminary recommendations
- Disabilities recommended for approval on consent
- Condensed 1- or 2-page executive summary
- Staff to call for the question today

CTO Considerations

- Consider legislation to make Chief Technology Officer "District"
  - Position involved in policy creation and strategic implementation
    - Sits alongside other "District" positions
  - Allows the Board to classify and recruit in an unencumbered fashion
  - Succession planning; internal staff can prepare themselves for the job
  - County has already agreed; Should be no friction
  - Will require legislation and a sponsor
  - Should be considered during next legislative session for 2025

Investment Governance Considerations

- One internal person managing VCERA's portfolio is a risk

- "Key Person" risk is extreme

- Move the pendulum more towards internal staff monitoring

- Develop core competencies in investment governance

  - Begin taking some of the reporting in-house

  - Report on market dynamics and potential portfolio effects

- Develop Board confidence in internal processes

- Internal staff needs more "skin in the game"

Human Resources

VCERA's most valuable asset

Current State

- Well-rounded staff
  - Willing to learn
  - Ambitious
  - Dedicated to the Organization & mission
  - Understand impacts our work has on people and the community
  - Well informed
  - Several wish to move up to strategic roles

Strengths & Weaknesses

- Implementing change should produce little friction
- Area of opportunity for the Organization

- Employee succession planning can be improved

Considerations

- Deputy Retirement Administrator
  - As the Org grows, RA should focus more on higher level issues
  - Facilitates filling the RA position
  - Gives the Board choices
- Split Operations position into two
  - Develop core competencies
    - Benefits
    - Operations
- More formal succession planning
  - Prepare promising employees for success

Prospective Org Chart

27
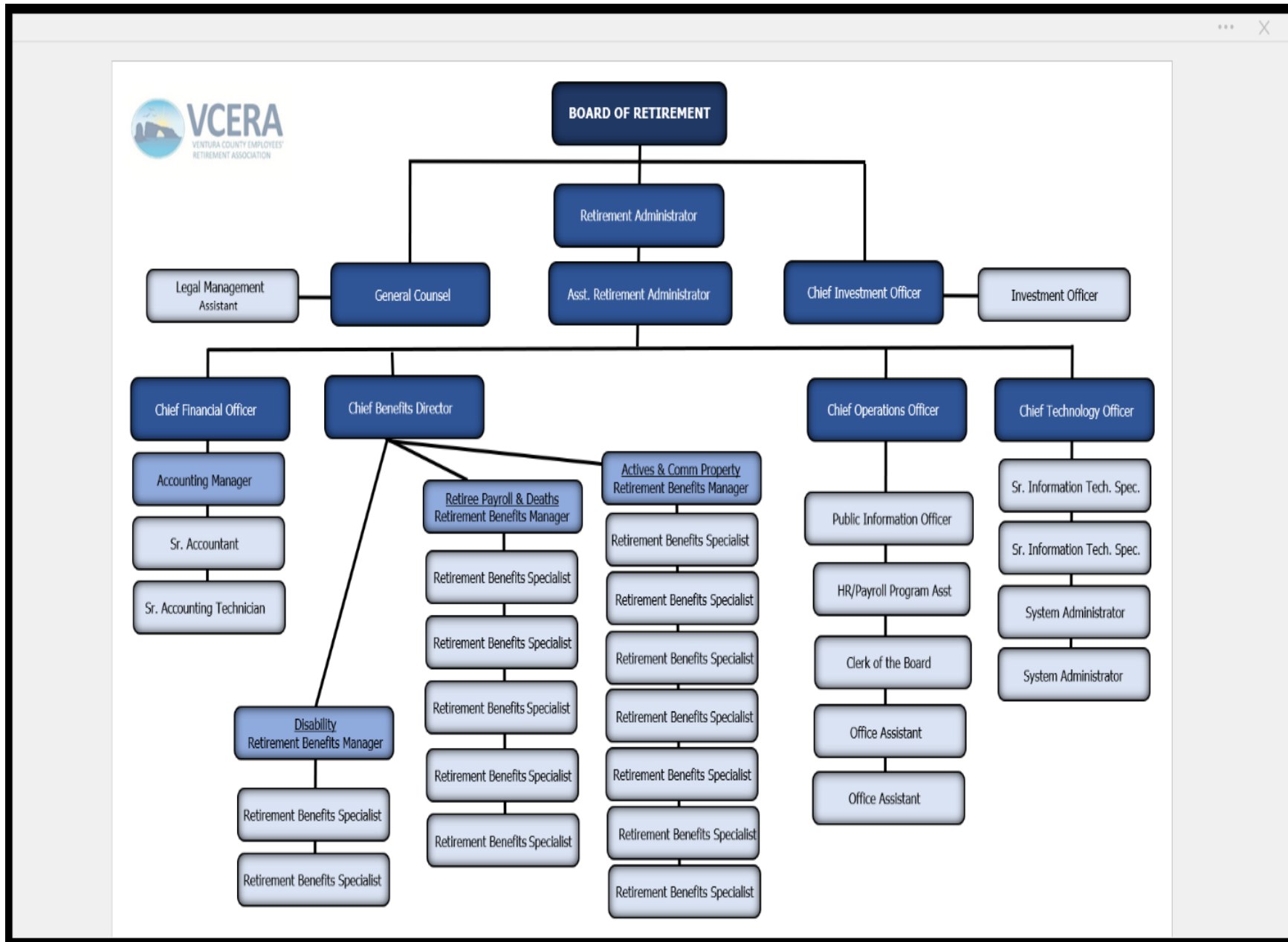
Technology

Continuous Modernization

Current State

- Departmental growth

- Cybersecurity

- Board meeting technology and process

- Vendor relations

- Challenges

Strengths & Weaknesses

- Slow to incorporate contemporary technology into mission, business plan and strategic plan

- Underinvested in technology

- Ability to provide efficient services hindered

- Need for continuous modernization

Changes to Consider

- Invest in technology

- Involve IT in important conversations
  - Strategic planning
  - Business direction

- Trust and support for IT
  - Board of Retirement
  - Executive Staff

Current State – Member Self-Service

- Not robust in current form

- Limited capabilities for growth

- Important in the future direction of the Organization

Strengths & Weaknesses

- Direct integration with Pension Administration System

- Limited access and security controls

- New design and implementation with new Pension Administration System

Changes to Consider

- Demographic shift

- Adapt the use of technology

- Automated services/continuous modernization

- Give members ability to take control/accountability

- Ability to scale up at reasonable costs

Current State –
Pension Administration System

- End of life < 10 years

- Old technology

- Vendor focus and support

Strengths & Weaknesses

- Member self-service limitations

- Limited automation & integrations

- Procedural inefficiencies

- Risk

- Technical debt

Changes to Consider

- Implementation – top priority

- Multi-year project

- Costs to upgrade/new system

- Staff involvement

Current State – Business & IT Initiatives

- Recommended business initiatives
  - Enterprise Financial System (*underway*)
  - Enterprise Content Management
  - Digital Signatures/Online Forms

Strengths & Weaknesses

- Manual processing

- Staff efficiencies

- Inefficient business processing, limited automation & compliance/audit concerns

- Business continuity

Changes to Consider

- Process improvement

- Compliance and data verification

- Reduced cost over time

- Member & Staff experience

What to Expect – 5 to 10 Years

- Continuous modernization

- Disruptive & emerging technologies (i.e. Automation)

- Increased member self-service

- Anticipated IT staff growth

- Increase in IT budgetary spend

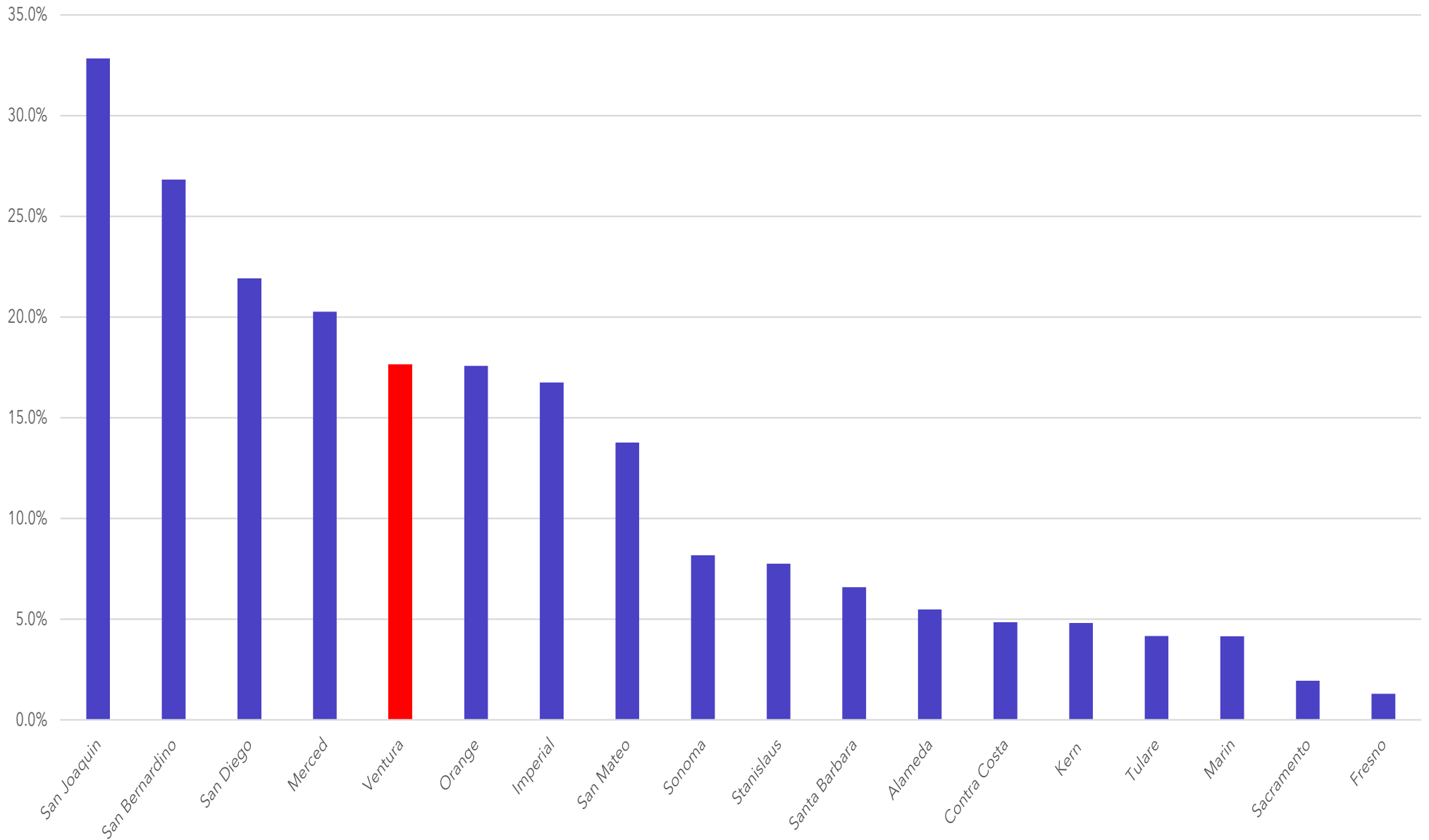# System Comparison

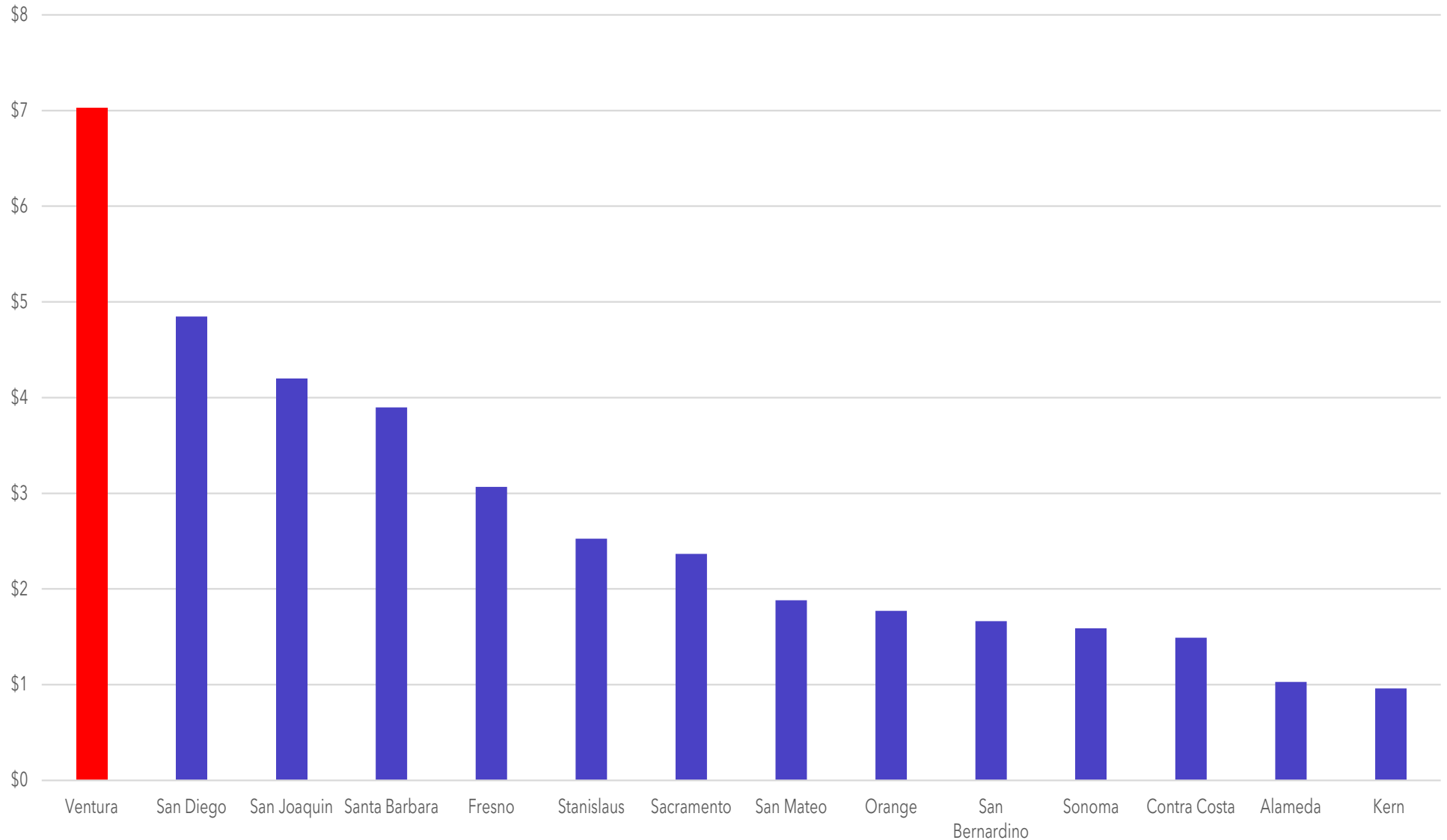Making inferences

Staff Functional Area Distribution
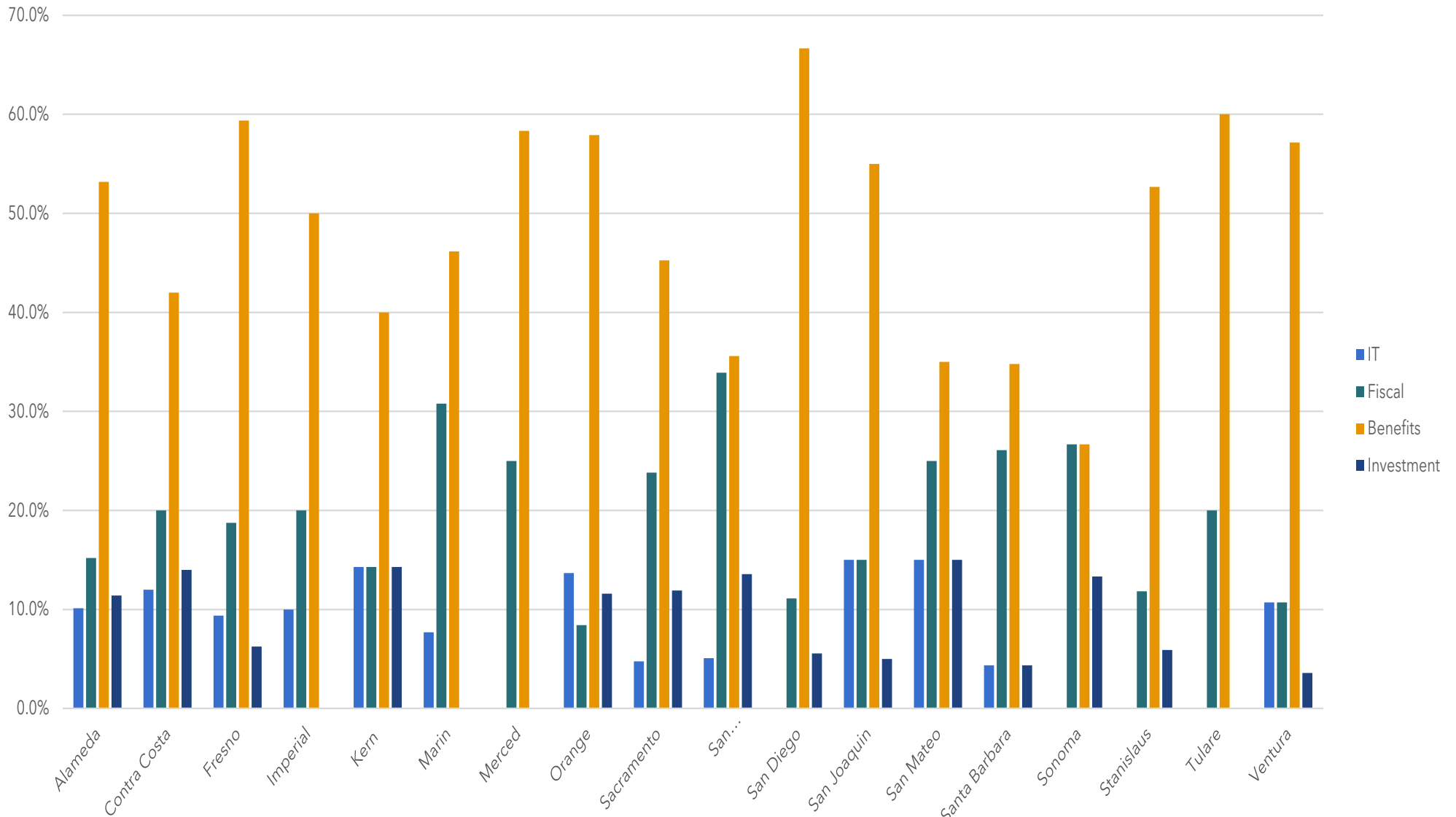
Staff Per Million in Budgetary Dollars
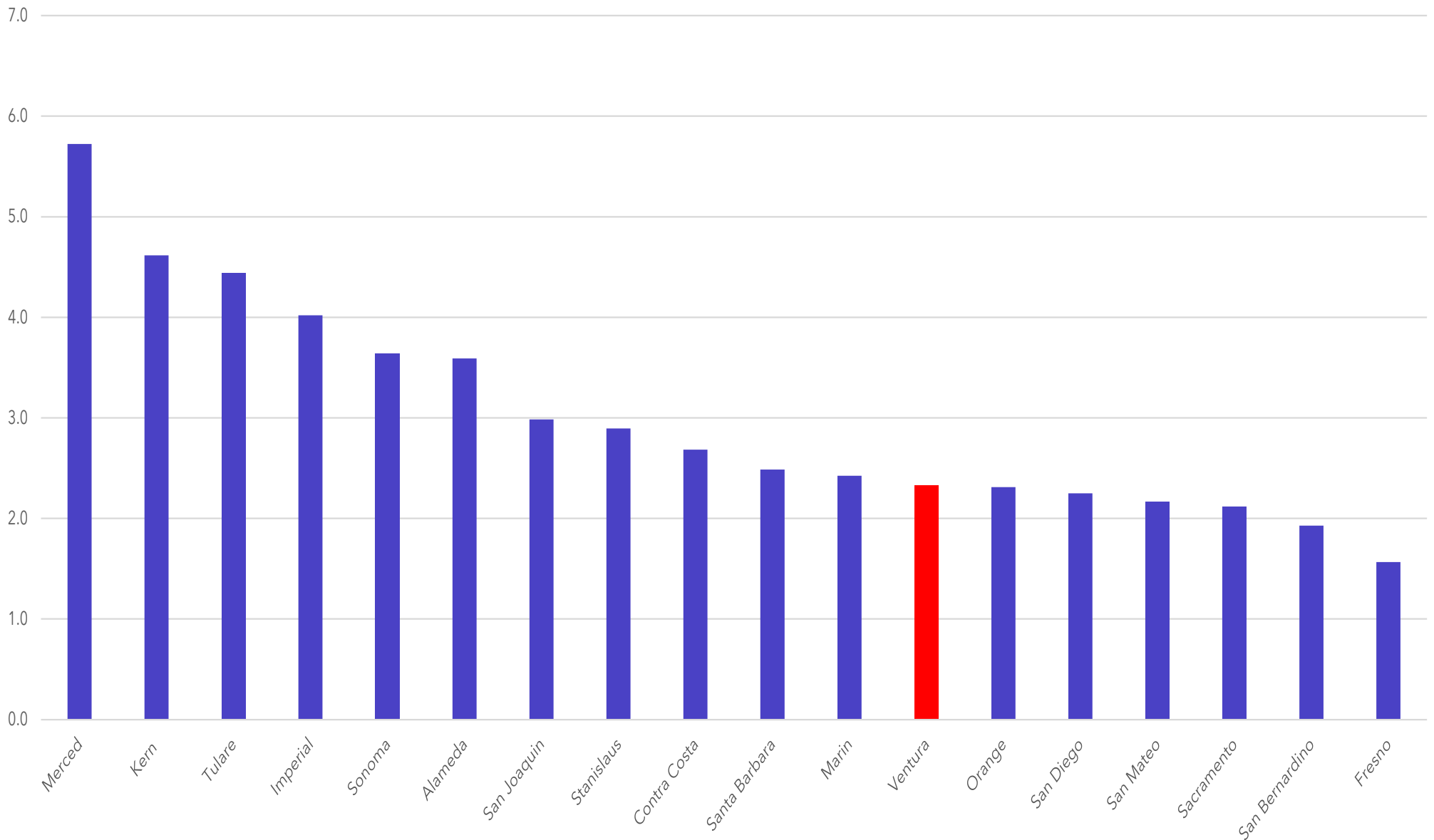
IT Budget as a % of total budget

Assets Managed per 1 investment staff, per billion

Strategic Objectives

VCERA's roadmap to the future

Strategic Objectives

- Strategic Objectives to Consider

1. *Modernize VCERA's infrastructure and approach to Technology dispensation.*
2. *Improve the public face of VCERA.*
3. *Embrace and implement a self-service business model for VCERA members.*
4. *Improve and enhance governance processes at VCERA.*

VCERA is in a very good place and need simply recognize where it resides today, where it wants to go tomorrow and set a course to get there

PRESENTERS:

Rick Santos, Interim Retirement Administrator

Leah Oliver, VCERA Chief Technology Officer

Email Addresses:
Rick.Santos@ventura.org
Leah.Oliver@ventura.org

Thank you

December 4, 2023

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

SUBJECT: **PROPOSAL TO PLACE "RECOMMENDATION TO GRANT WITHOUT OBJECTION" DISABILITY CASES ON CONSENT AGENDAS**

Dear Board Members:

At today's meeting, the Board will consider modifying its governance approach to focus on policy-level matters while entrusting the administrative implementation of those policies to staff. Adopting this approach would allow the Board to devote more time to higher-priority, non-routine matters while hearing non-controversial, routine matters as a single agenda item. To help streamline agendas and to improve the efficiency of meetings, staff would like the Board to consider placing on the consent agenda of Disability Board meetings, those cases in which staff recommends granting the application without objection.

Under this proposal, staff would place on the consent agenda *only* those disability cases in which the applicant and employer have not raised an objection to staff's preliminary recommendation to grant a disability retirement. If a trustee desired to discuss a particular case, he/she would ask for the item to be removed from the consent agenda. If the applicant was present at the Board meeting and agreed to have the case heard at that time, the removed agenda item could then be discussed. If the applicant was not present or did not agree, the item would be agendized for the Board's next meeting.

The applicant and employer would continue to receive advance notice of agendized disability cases, and all applicants whose cases were approved on consent would receive a written Waiver of Findings of Fact and Conclusions of Law from staff. Also, most CERL retirement systems throughout the state place "recommendation to grant" cases on their consent agendas. The earliest that staff could implement this change would be the Business & Disability meeting on December 18.

RECOMMENDATION: AUTHORIZE STAFF TO PLACE "RECOMMENDATION TO GRANT WITHOUT OBJECTION" DISABILITY CASES ON CONSENT AGENDAS, EFFECTIVE DECEMBER 18, 2023.

Sincerely,

Richard Santos
Interim Retirement Administrator