

# VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

## BOARD OF RETIREMENT

### SPECIAL MEETING

APRIL 8, 2020

### MINUTES

**DIRECTORS**  
**PRESENT:** Arthur E. Goulet, Vice-Chair, Retiree Member  
Steven Hintz, Treasurer-Tax Collector  
Steve Bennett, Public Member  
Mike Sedell, Public Member  
Robert Ashby, Safety Employee Member  
Jordan Roberts, General Employee Member  
Will Hoag, Alternate Retiree Member

**DIRECTORS**  
**ABSENT:** William W. Wilson, Chair, Public Member  
Craig Winter, General Employee Member

**STAFF**  
**PRESENT:** Linda Webb, Retirement Administrator  
Henry Solis, Chief Financial Officer  
Dan Gallagher, Chief Investment Officer  
Lori Nemiroff, General Counsel  
Leah Oliver, Chief Technology Officer  
Josiah Vencel, Retirement Benefits Manager  
Chris Ayala, Program Assistant

**PLACE:** *In Accordance with the Governor's Executive Order N-29-20 (3) The Members of the Board will be participating via teleconference. Pursuant to Government Code §54954.3, members of the public, to the extent required by law, will have the opportunity to directly address the Board concerning the below mentioned business.*

**TIME:** 2:00 p.m.

**ITEM:**

**I. CALL TO ORDER**

Chair Goulet called the Special Meeting of April 8, 2020, to order at 2:00 p.m. In absence of Trustee Wilson, Vice-Chair Goulet presided as meeting Chair.

**II. APPROVAL OF AGENDA**

MOTION: Approve.

Moved by Sedell seconded by Ashby

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hintz, Roberts, Sedell

No: -

Absent: Wilson, Winter

Abstain:

**III. APPROVAL OF MINUTES**

A. Disability Minutes for March 9, 2020.

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

MOTION: Approve.

Moved by Ashby seconded by Bennett.

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hintz, Roberts, Sedell

No: -

Absent: Wilson, Winter

Abstain:

**IV. CONSENT AGENDA**

A. Approve Regular and Deferred Retirements and Survivors Continuances for the Month of February 2020.

B. Receive and File Report of Checks Disbursed in February 2020.

C. Receive and File Report of Checks Disbursed in March 2020.

D. Receive and File Budget Summary for FY 2019-20 Month Ending January 31, 2020.

E. Receive and File Budget Summary for FY 2019-20 Month Ending February 29, 2020.

F. Receive and File Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Schedule of Investments, Cash, and Cash Equivalents, and Schedule of Investment Management Fees for the Period Ending January 31, 2020.

- G. Receive and File Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Schedule of Investments, Cash, and Cash Equivalents, and Schedule of Investment Management Fees for the Period Ending February 29, 2020.

MOTION: Approve.

Moved by Sedell, seconded by Bennett.

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hintz, Roberts, Sedell

No: -

Absent: Wilson, Winter

Abstain:

## V. INVESTMENT MANAGER PRESENTATIONS

- A. Receive Annual Investment Presentation from Harbourvest, Jackie Peradotto and Mark Radville.

Jackie Peradotto and Mark Radville reviewed Harbourvest's organizational changes, and discussed the firm's investment outlook, portfolio strategy, composition and performance.

- B. Receive Annual Investment Presentation from Pantheon, Kevin Dunwoodie and Iain Jones.

Kevin Dunwoodie and Iain Jones reviewed Pantheon's organizational changes, and discussed the firm's investment outlook, portfolio strategy, composition and performance.

## VI. INVESTMENT INFORMATION

NEPC – Allan Martin.

VCERA – Dan Gallagher, Chief Investment Officer.

- A. VCERA Portfolio and Investment Markets Update Due to COVID-19.

**RECOMMENDED ACTION: Receive and File.**

1. Staff Letter by C.I.O., Dan Gallagher.

2. NEPC Presentation.

Mr. Gallagher provided a brief summary to the Board regarding the overall health of VCERA's portfolio and the recent liquidity driven decline in investment markets related to the COVID-19 pandemic. He said it would be unimaginable that VCERA would ever be unable to pay retirement benefits. He had been working with VCERA's consultants and investment managers across all asset classes to ensure sufficient liquidity for VCERA's priorities in the following order: retiree payroll, then capital calls, then portfolio rebalancing, and finally continued evaluation of attractive investment opportunities. He noted that he, the consultants and managers had all been through periods of significant market declines, and that this period shared similar characteristics to past market declines. He said that the Fed and the government had learned a lot from previous declines, and have quickly taken steps to mitigate some of the damage.

Following the initial discussion on these items, the Board advanced to agenda items VIII.B, "Retirement Administrator's Report on COVID-19 Impact on VCERA Operations."

Mr. Martin of NEPC then gave a brief presentation to the Board entitled, "NEPC Latest Market Perspectives".

Chair Goulet said that he did not believe that VCERA should give a 7.5% discount to the County of Ventura for contributing early to the pension fund when the economic indicators did not support 7.5% earnings.

Trustee Bennett replied that would be a decision for the Board of Retirement to make, which then the Board of Supervisors would have to decide if they would like to contribute early if there was not a discount for doing so.

Chair Goulet then said that he was expecting a report from staff at the next meeting in regards to the discounted early pre-payment County annual contribution.

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

MOTION: Receive and File.

Moved by Sedell, seconded by Ashby.

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hintz, Roberts, Sedell

No: -

Absent: Wilson, Winter

Abstain:

Following the vote on this item, the Board advanced to agenda item VIII.A., "Possible Adjustment to UAAL Amortization Periods to Manage Tail Volatility."

B. Preliminary Performance Report Month Ending February 29, 2020.

**RECOMMENDED ACTION: Receive and File.**

MOTION: Receive and File.

Moved by Sedell, seconded by Ashby.

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hintz, Roberts, Sedell

No: -

Absent: Wilson, Winter

Abstain:

## **VII. OLD BUSINESS**

A. None.

## **VIII. NEW BUSINESS**

A. Possible Adjustment to UAAL Amortization Periods to Manage Tail Volatility.

1. Staff Letter.  
*To be provided.*
2. Previously Provided Letter from Segal Consulting.
3. Written Feedback from County of Ventura Regarding Proposed UAAL Adjustment, dated April 6, 2020.

Ms. Webb said this issue was originally raised by Paul Angelo of Segal Consulting during the December 9, 2019, meeting and Mr. Angelo was in attendance during the teleconference meeting today to discuss it again with the Board. In Segal's letter, dated January 24, 2020, Mr. Angelo explained how such an adjustment would work, and in February Segal's letter was provided to the County of Ventura and other participating employers, in advance of formal Board consideration, which was originally scheduled for the business meeting of March 30, 2020, which had been cancelled. The County of Ventura and SEIU Local 721 Union had submitted a response to the letter, which had been provided to the Board. Staff had provided two options for the Board to consider.

Mr. Angelo presented the two options to the Board and explained the merits of those two options.

Trustee Sedell said that the Board had not yet heard from the County of Ventura or SEIU and asked if the Board wanted to hear from them before discussing the options.

Ms. Webb replied that Mr. Robert Bravo from the County of Ventura was in attendance on the teleconference, and Mr. Ramon Rubalcava of SEIU Local 721 was listening, but not intending to speak during the teleconference, as he believed that SEIU's letter was provided to the Board to express their preference on the subject.

Mr. Bravo said that as the County of Ventura had noted in their letter, they would be supportive of the Segal's original recommendation, as well as the newly proposed option 2. Also, as it was noted in the County's letter, they had also asked for the Board to consider retroactively smoothing out the 2020-2021 year, but the County had been told that it was not feasible due to the timing. The County was also planning on using the analysis provided by their actuary, Bartel Associates, LLC to internally smooth the County's retirement costs for budget purposes only.

Ms. Webb commented that she had just received an email from SEIU Local 721 which said that they did not have any objection to option 2.

Chair Goulet said that he was a traditionalist and the Board had been using a 15-year amortization period for many years and it had been working very well for VCERA, thus far. Therefore, he felt that the Board should not change it, especially since the County had indicated that they were interested in adjusting it in the future.

Trustee Sedell said he believed that the Board should try something new because it may work better for all parties involved and just because it worked before in the past, did not mean that it would necessarily work again. So, he would be supportive of option 2.

Mr. Angelo commented that it was nationally known that he was a big promoter of the layered amortization model and it was an enormously powerful tool that had great transparency, however it came with a price. When staying with the predetermined layers, they would see this tail volatility phenomenon and adjusting it would not change any associated policy, since it was simply a managerial task that was almost imposed by the policy. He urged the Board to view the

recommendation as not overruling the policy, but simply managing the tool that was adopted. He said that the model practice was to use layered amortization, and then under very specified conditions, incorporate some active managing of the layers. Therefore, he said that he respectfully disagreed with Chair Goulet.

Ms. Webb asked Mr. Angelo if the adjustment was something that could be characterized as an additional layer of smoothing.

Mr. Angelo said that he would call it another form of volatility management.

Ms. Webb said that Trustee Bennett had lost his connection to the meeting and was trying to reconnect.

Trustee Roberts said that he believed that the Board should do whatever they could to stabilize the tail volatility, especially in this uncertain time. Therefore, he believed that the Board should consider approving option 1 and then at a later date, consider adjusting the second period of tail volatility based on the market at that time.

Trustee Bennett was able to reconnect.

Ms. Webb asked Mr. Angelo to repeat his recommendation regarding the adjustment to UAAL amortization periods for Trustee Bennett's benefit.

Mr. Angelo provided Mr. Bennett with an overview of his recommendation. He said that in regards to Trustee Roberts suggestion of adjusting the first period of tail volatility now and considering adjusting the second period at a later date, he said that the sooner the adjustment was made the better, because the longer VCERA waits, the more layers will drop off, which would mean a larger adjustment cost. Therefore, if Segal would recommend option 2.

Chair Goulet said that amortizing \$775 million was not the complete picture of the issue, since the fund would probably lose \$125 million in 2020.

Mr. Angelo noted that Chair Goulet's comment was related to Trustee Roberts question of why not wait and see what the effects on are from COVID-19. Mr. Angelo said if there were market loss in the 2020 valuation, it would not influence the curve in Exhibit C's table concerning VCERA's Projection of UAAL Contribution Rates, because the new loss would be a new 15-year layer.

Ms. Webb reminded the Board that Mr. Angelo had done the recalculation after she had submitted her staff letter, so even though the staff letter stated that the preferred option was option 1, Mr. Angelo now stated that he was in favor of option 2 for the reasons explained.

Trustee Bennett said that the Board had a unique situation in which the actuaries for the Board of Retirement and the County of Ventura were in favor of option 2 and at the same time the County of Ventura was also volunteering to pay more into the retirement system next year. So, he felt compelled to support option 2.

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

**MOTION:** Direct Segal Consulting to Adjust the Amortization Schedule for Both Periods of Tail Volatility (2020-2024 and 2025-2032) and Return to the Board with a Proposal to Incorporate it into the June 30, 2020 Valuation.

Moved by Bennet, seconded by Sedell.

Vote: Motion carried

Yes: Ashby, Bennett, Hintz, Roberts, Sedell

No: Goulet

Absent: Wilson, Winter

Abstain:

Following the vote on this item, the Board advanced to agenda items IX.A., "Emergency Orders and Legislation of Interest to VCERA and Other California Public Employee Retirement Plans".

B. Retirement Administrator's Report on COVID-19 Impact on VCERA Operations.

1. Staff Letter.

Ms. Webb explained that even though there had been some minor difficulties to having staff work remotely, they had prepared well before the shelter in place order by having staff test their ability to work remotely, though some processes moved more slowly. This was also the time of year for Operations staff to begin implementing Cost of Living Adjustments, which may take more effort given the challenges. She said her biggest concern however, was in making sure that retirees were paid correctly and on time, and that had been successful and smooth. Therefore, overall VCERA was doing very well under the circumstances.

Chair Goulet thanked Ms. Webb and staff on behalf of the Board, for their hard work in keeping VCERA's running during this difficult time.

Ms. Webb said that she appreciated that and that she was proud of staff for having a great attitude, and being willing to learn new technologies, and find new ways to accomplish tasks.

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

MOTION: Receive and File.

Moved by Ashby, seconded by Hintz.

Vote: Motion carried

Yes: Ashby, Bennett, Goulet, Hintz, Roberts, Sedell

No: -

Absent: Wilson, Winter

Abstain:

Following the discussion on this item, the Board returned to agenda item VI.A., "VCERA Portfolio and Investment Markets Update Due to COVID-19", to hear Mr. Martin's presentation.

**IX. INFORMATIONAL**

A. Emergency Orders and Legislation of Interest to VCERA and Other California Public Employee Retirement Plans.

1. Staff Letter by Retirement Administrator, Linda Webb and General Counsel, Lori Nemiroff.

Ms. Webb noted that both she and Ms. Nemiroff had worked on the staff letter for the agenda item, and Ms. Nemiroff had been instrumental in assisting staff with deciphering the new exceptions to the Brown Act. She then said that they had provided the agenda item to inform the Board of the emergency orders and legislation regarding COVID-19, which explained its impact on VCERA, as well as other public retirement systems.

Chair Goulet replied that he also appreciated Ms. Nemiroff's work.

B. SACRS Board of Director Elections 2020-2021 Elections – Final Ballot Notice.

C. Letter to SACRS from Edelstein, Gilbert, Robson & Smith LLC, Legislative Update – April 2020.

**X. PUBLIC COMMENT**

None.

**XI. STAFF COMMENT**

Ms. Webb said that staff had recently received a formal resignation from Trustee Winter, who had been out on an extended leave and would be retiring from County service. Consequently, VCERA would be holding an election for that vacancy on the Board and staff would be working with the Elections Office on a election calendar, which staff would also be circulating when it become available. Since, the Board would likely be holding virtual Board Meetings for some time, staff would be working on incorporating video capabilities into the meeting and may purchase a Zoom subscription to facilitate that.

**XII. BOARD MEMBER COMMENT**

Trustee Hoag informed the Board that at the next Board Meeting on April 20<sup>th</sup> there would be a Closed Session item for the performance evaluations of the Retirement Administrator, General Counsel and Chief Investment Officer. He asked that the Board to be prepared to discuss the item during the meeting.

**XIII. ADJOURNMENT**

The Chair adjourned the meeting at 3:23 p.m.

Respectfully submitted,



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LINDA WEBB, Retirement Administrator

Approved,



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ARTHUR GOULET, Chair