

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

FEBRUARY 27, 2017

MINUTES

DIRECTORS
PRESENT: Tracy Towner, Chair, Alternate Safety Employee Member
William W. Wilson, Vice Chair, Public Member
Steven Hintz, Treasurer-Tax Collector
Mike Sedell, Public Member
Robert Bianchi, Alternate Public Member
Arthur E. Goulet, Retiree Member
Will Hoag, Alternate Retiree Member
Chris Johnston, Safety Employee Member
Ed McCombs, Alternate Public Member

DIRECTORS
ABSENT: Deanna McCormick, General Employee Member
Craig Winter, General Employee Member
Peter C. Foy, Public Member

STAFF
PRESENT: Linda Webb, Retirement Administrator
Lori Nemiroff, County Counsel
Dan Gallagher, Chief Investment Officer
Henry Solis, Chief Financial Officer
Karen Scanlan, Accounting Manager I
Julie Stallings, Chief Operations Officer
Stephanie Berkley, Retirement Benefits Specialist
Chris Ayala, Program Assistant

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

TIME: 9:00 a.m.

ITEM:

I. CALL TO ORDER

Chair Towner called the Business Meeting of February 27, 2017, to order at 9:01 a.m.

II. APPROVAL OF AGENDA

MOTION: Approve.

Moved by Sedell, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Goulet, Hintz, Hoag, Johnston, McCombs, Sedell, Wilson, Towner

No: -

Absent: Foy, McCormick, Winter

III. APPROVAL OF MINUTES

A. Disability Minutes of February 6, 2017

Chair Towner stated that item III. would be tabled until a future meeting.

IV. CONSENT AGENDA

A. Approve Regular and Deferred Retirements and Survivors Continuances for the Month of January 2017

B. Receive and File Report of Checks Disbursed in January 2017

C. Receive and File Budget Summary for FY 2016-17 Month Ending January 31, 2017

D. Receive and File Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Schedule of Investments and Cash Equivalents, and Schedule of Investment Management Fees for the Period Ending December 31, 2016

MOTION: Receive and File.

Moved by Wilson, seconded by Johnston.

Vote: Motion carried

Yes: Bianchi, Goulet, Hintz, Hoag, Johnston, McCombs, Sedell, Wilson, Towner

No: -

Absent: Foy, McCormick, Winter

V. INVESTMENT MANAGER PRESENTATIONS

A. Receive Annual Investment Presentation, Prudential Real Estate Investors – PRISA, Frank Garcia, Mark A. Oczkus and Marcus Berry.

Frank Garcia, Mark A. Oczkus and Marcus Berry were present on behalf of Prudential Real Estate Investors – PRISA to provide an organizational and investment performance update.

- B. Receive Annual Investment Presentation, UBS Asset Management, Thomas C. Klugherz, Stephen Olstein, and Mia Dennis.

Thomas C. Klugherz, Stephen Olstein, and Mia Dennis were present on behalf of UBS Asset Management to provide an organizational and investment performance update.

VI. INVESTMENT INFORMATION

- A. NEPC – Allan Martin and Tony Ferrera
VCERA – Dan Gallagher, Chief Investment Officer

1. Preliminary Performance Report Month Ending
January 31, 2017

RECOMMENDED ACTION: Receive and file.

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

MOTION: Receive and File.

Moved by Wilson, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Goulet, Hintz, Hoag, Johnston, McCombs, Sedell, Wilson, Towner

No: -

Absent: Foy, McCormick, Winter

2. 4th Quarter Investment Performance Report

RECOMMENDED ACTION: Receive and file.

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

MOTION: Receive and File.

Moved by Bianchi, seconded by Johnston.

Vote: Motion carried

Yes: Bianchi, Goulet, Hintz, Hoag, Johnston, McCombs, Sedell, Wilson, Towner

No: -

Absent: Foy, McCormick, Winter

Chair Towner requested a break at 10:20 a.m.
The Board returned from break at 10:30 a.m.

3. 2017 NEPC Capital Market Assumptions
RECOMMENDED ACTION: Receive and file.

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

MOTION: Receive and File.

Moved by Sedell, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Goulet, Hintz, Hoag, Johnston, McCombs, Sedell, Wilson, Towner

No: -

Absent: Foy, McCormick, Winter

4. Updated Investment Policy
RECOMMENDED ACTION: Approve.

- a. Summary of Changes
- b. Investment Policy – Redline
- c. Investment Policy Final

Mr. Gallagher stated that he, Mr. Martin, and Mr. Ferrara had worked on multiple iterations of the policy. He also thanked and acknowledged Mr. Goulet for his suggestions and comments. Mr. Gallagher said the provided version did not reflect all the updates and he would provide the updated version to the Board.

Mr. Goulet noted that two significant things were changed in the draft, but should be restored in the version being adopted. One was the restatement of a statute that contained additional wording that should not have been included. The second pertained to the omission of the frequency of investment performance reports presented to the Board.

Mr. Gallagher explained that although the draft was silent on it, there was no intent to change the actual reporting frequency. Mr. Gallagher said the recommended changes would be included.

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

MOTION: Approve with Amendments.

Moved by Sedell, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Goulet, Hintz, Hoag, Johnston, McCombs, Sedell, Wilson,
Towner

No: -

Absent: Foy, McCormick, Winter

VII. OLD BUSINESS

- A. Follow-Up on Appointment and Election of Trustees Policy Table with Corrections

RECOMMENDED ACTION: Approve.

1. Staff Letter
2. Proposed Table Correction

Ms. Webb provided a follow-up to the previously presented Appointment and Election of Trustees Policy Table, as the policy was previously approved with corrections to be made to the table.

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

MOTION: Approve.

Moved by Goulet, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Goulet, Hintz, Hoag, Johnston, McCombs, Sedell, Wilson,
Towner

No: -

Absent: Foy, McCormick, Winter

- B. Response from CIO Regarding North Dakota Placing Adam Street on Watch

RECOMMENDED ACTION: Receive and file.

1. Memorandum
2. Pensions & Investment Article – North Dakota puts Adam Street on Watch
3. Private Equity Disclosure Requirements

Mr. Gallagher stated this item was a response to Mr. Goulet's comments at the January 23rd Business Meeting, regarding an article from Pension and Investments magazine entitled, "North Dakota puts Adams Street on Watch". Mr. Goulet had asked that the CIO report back to the Board on Adams Street's transparency in respect to the new law which had gone into effect on January 1, 2017. Mr. Gallagher reported that at this time Adams Street and the Board's other private equity and real estate managers were compliant with the law.

MOTION: Receive and File.

Moved by Wilson, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Goulet, Hintz, Hoag, Johnston, McCombs, Sedell, Wilson, Towner

No: -

Absent: Foy, McCormick, Winter

VIII. NEW BUSINESS

A. Review of 2016 Board Member Education Compliance

1. Staff Letter
(To be provided)
2. Board Education Compliance Report for 2016
(To be provided)

Ms. Webb said the annual compliance report reflected the number of education hours each Board Member had completed, and when applicable, the number of hours still required. Ms. Webb also pointed out the updated format.

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

MOTION: Receive and File.

Moved by Sedell, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Goulet, Hintz, Hoag, Johnston, McCombs, Sedell, Wilson, Towner

No: -

Absent: Foy, McCormick, Winter

B. Proposed Budget Adjustments for Board Approved Requests

1. Staff Letter

2. Schedule of Budget Adjustments Required for Board Approved Requests for FY 2016-17

Mr. Solis stated that the list of budget adjustment items represented Board approved requests in the fiscal year thus far, that were not budgeted, without any appropriation adjustments. Mr. Solis stated that he purposely omitted the Board approval of executive staff from the implementation of AB 1291 as this request would be addressed in the mid-year budget update that followed the agenda item.

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

MOTION: Approve.

Moved by Hintz, seconded by Goulet.

Vote: Motion carried

Yes: Bianchi, Goulet, Hintz, Hoag, Johnston, McCombs, Sedell, Wilson, Towner

No: -

Absent: Foy, McCormick, Winter

C. Mid-Year Budget Update for FY 2016-17
RECOMMENDED ACTION: Approve.

1. Staff Letter
2. Budget Summary

Mr. Solis pointed out a correction in the staff letter which stated a \$30,100 savings in the Conference, Seminars & Travel; the amount should have been \$23,400. Mr. Solis reported that overall projected expenditures would be under budget by \$133,000. He further explained that Salaries & Employee Benefits, and Technology would be over budget, offset with savings in Service and Supplies. Mr. Solis explained the major variances in Salaries & Employee Benefits, Service & Supplies, and Technology and answered questions by the Board.

Ms. Webb commented that the anticipated costs for the Pension Administration System reflected the estimate provided by Vitech for the IRS Model Regulations work. Ms. Webb stated that, as the staff letter indicated, it did not include enhancements.

Trustee Goulet said the Board had already approved the IRS model regulation work on a time and materials basis.

Ms. Webb agreed and stated that was why the staff letter was worded as it was.

Trustee Goulet asked when the RFP for the actuarial audit be issued.

Ms. Webb stated that the Board would be receiving a draft to review. Ms. Webb also explained that the Service Provider policy states that the Board selects the vendor, and because of this, she would be recommending that the Board appoint a small ad hoc committee to review the RFPs and recommend a final vendor to the Board.

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

MOTION: Approve.

Moved by Sedell, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Goulet, Hintz, Hoag, Johnston, McCombs, Sedell, Wilson, Towner

No: -

Absent: Foy, McCormick, Winter

D. VCERA Cost-of-Living Adjustments (COLA) as of April 1, 2017

RECOMMENDED ACTION: Approve.

1. Actuary's Annual COLA Analysis

MOTION: Approve.

Moved by Wilson, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Goulet, Hintz, Hoag, Johnston, McCombs, Sedell, Wilson, Towner

No: -

Absent: Foy, McCormick, Winter

E. Request for Trustee Johnston to Attend the NCPERS Annual Conference and Pre-Conference Fiduciary Program Modules in Hollywood, FL on May 20 – 24, 2017

1. Staff Letter

2. NCPERS Annual Conference Brochure

MOTION: Approve.

Moved by Wilson, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Goulet, Hintz, Hoag, Johnston, McCombs, Sedell, Wilson, Towner

No: -

Absent: Foy, McCormick, Winter

- F. Request for Trustee Bianchi to Attend the CALAPRS Advanced Principles of Pension Management for Trustees in Los Angeles, March 29 – 31, 2017

1. Staff Letter
2. CALAPRS Training Brochure

MOTION: Approve.

Moved by Sedell, seconded by Johnston.

Vote: Motion carried

Yes: Bianchi, Goulet, Hintz, Hoag, Johnston, McCombs, Sedell, Wilson, Towner

No: -

Absent: Foy, McCormick, Winter

- G. Request for Trustees Wilson and Goulet to Attend 2017 Pension Bridge Annual Conference in San Francisco, April 18 – 19, 2017

1. Staff Letter
2. Pension Bridge Conference Brochure

MOTION: Approve.

Moved by Sedell, seconded by Johnston.

Vote: Motion carried

Yes: Bianchi, Goulet, Hintz, Hoag, Johnston, McCombs, Sedell, Wilson, Towner

No: -

Absent: Foy, McCormick, Winter

- H. Report on CALAPRS Trustees' Roundtable, Submitted by Trustee Goulet

MOTION: Receive and File.

Moved by Goulet, seconded by Hintz.

Vote: Motion carried

Yes: Bianchi, Goulet, Hintz, Hoag, Johnston, McCombs, Sedell, Wilson,
Towner

No: -

Absent: Foy, McCormick, Winter

IX. INFORMATIONAL

A. S&P 500 Investment Return and Volatility Charts

B. The Economist – It Is Not Easy for Investors to Recognize a Bubble

XI. PUBLIC COMMENT

None.

XI. STAFF COMMENT

Ms. Webb commented that staff would be requesting a 1 - year extension of the Brown Armstrong agreement, based on the CFO's recommendation. Ms. Webb gave an update on the PAS project, indicating Vitech had remediated nearly all of the material defects that had been identified prior to Go-Live. Staff would be presenting the Board with a list of requested enhancements in the near future. Ms. Webb reminded the Board of the SACRS 2017 Spring Conference in Napa, CA in May. Ms. Webb also said staff had scheduled a photographer to come to the Disability Meeting in March to take new trustee photos.

Mr. Gallagher reminded the Board of a discussion regarding long term vs. short term investing in October 2016 and noted the fluctuation in the rate of returns in a short term annual period. Mr. Gallagher said that if the Trustees looked at the long term or "Since Inception" rate, they would notice little or no change and encouraged the Board to focus on the long term when reviewing the reports.

XII. BOARD MEMBER COMMENT

Chair Towner reminded the Board that the meetings in March were scheduled for the 13th and 27th, the second and fourth Mondays of the month.

XIII. ADJOURNMENT

The meeting was adjourned at 11:23 a.m.

Respectfully submitted,



LINDA WEBB, Retirement Administrator

Approved,



TRACY TOWNER, Chairman