

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

JUNE 6, 2011

MINUTES

DIRECTORS Tracy Towner, Chair, Safety Employee Member
PRESENT: William W. Wilson, Vice Chair, Public Member
Steven Hintz, Treasurer-Tax Collector
Steve Bennett, Public Member
Albert G. Harris, Public Member
Joseph Henderson, Public Member
Robert Hansen, General Employee Member
Arthur E. Goulet, Retiree Member
Will Hoag, Alternate Retiree Member

DIRECTORS Karen Anderson, General Employee Member
ABSENT: Chris Johnston, Alternate Employee Member

STAFF Henry Solis, Interim Retirement Administrator
PRESENT: Lori Nemiroff, Assistant County Counsel
Brenda Cummings, Retirement Operations Manager
Angela Tolentino, Retirement Specialist

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

TIME: 9:00 a.m.

ITEM:

I. **INTRODUCTION OF MEETING**

Chairman Towner called the Disability Meeting of June 6, 2011, to order at 9:00 a.m.

II. APPROVAL OF AGENDA

Mr. Goulet stated that the Agenda needed to be renumbered because there are two XI.'s. Mr. Hintz noted there were actually three items numbered XI.

Staff stated that, "Hearing Officer's Proposed Findings and Recommendations Submitted by Richard C. Anthony, dated March 28, 2011," should be added to Agenda Item V.C.

Mr. Goulet moved, seconded by Mr. Harris, to approve the Agenda, as amended.

Motion passed.

III. APPROVAL OF MINUTES

A. Business Meeting of May 16, 2011.

Mr. Goulet stated that on page 5 at the end of the second paragraph a comma should follow the word, "cap," and the next word, "though," should not be capitalized; on page 8, at the bottom of the page, the word "encourage" should be changed to "encouraging," and the word, "managers" should be substituted for, "they," so that it reads, "encouraging managers to report . . . ," and; on page 14, the last paragraph should be deleted as it was included twice

Mr. Goulet moved, seconded by Mr. Hintz, to approve the Minutes for the Business Meeting of May 16, 2011, as amended.

Motion passed.

B. Special Meeting of May 31, 2011.

Mr. Wilson moved, seconded by Mr. Harris, to approve the Minutes of the Special Meeting of May 31, 2011.

Motion passed. Mr. Bennett and Mr. Goulet abstained.

IV. PENDING DISABILITIES STATUS REPORT

Mr. Wilson moved, seconded by Mr. Harris, to receive and file the Pending Disabilities Status Report.

Motion passed.

V. APPLICATIONS FOR DISABILITY RETIREMENT

- A. Application for Non-Service Connected Disability Retirement; Stephanie Wimberly, Case No. 11-005.

1. Application for Disability Retirement and Supporting Documentation.
2. Hearing Notice.

Paul Hilbun was present from the County of Ventura, Risk Management. The applicant Stephanie Wimberly was present.

Both parties accepted into the record the Application for Disability Retirement and Supporting Documentation consisting of 37 pages.

Both parties declined an offer to make a statement.

Mr. Wilson moved, seconded by Mr. Harris, to grant the applicant, Stephanie Wimberly, a non-service connected disability retirement.

Motion passed.

Both parties agreed to waive preparation of findings of fact.

- B. Application for Service Connected Disability Retirement; Darrel R. Stillwagon Jr., Case No. 09-006.

1. Application for Disability Retirement and Supporting Documentation.
2. Hearing Notice.

Paul Hilbun was present from the County of Ventura, Risk Management. Thomas J. Wicke, Attorney at Law, was present representing the applicant, Darrel R. Stillwagon Jr.

Both parties accepted into the record the Application for Disability Retirement and Supporting Documentation consisting of 137 pages.

Both parties declined an offer to make a statement.

Mr. Goulet stated that it was commendable that Mr. Stillwagon underwent all the operations in an effort to go back to work.

Mr. Goulet moved, seconded by Mr. Hintz, to grant the applicant,

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

- B. Application for Service Connected Disability Retirement; Darrel R. Stillwagon Jr., Case No. 09-006. (continued)

Darrel R. Stillwagon, a service connected disability retirement.

Motion passed.

Both parties agreed to waive preparation of findings of fact.

- C. Application for Service Connected Disability Retirement; William Hornbrook, Case No. 09-026.

1. Application for Disability Retirement and Supporting Documentation.
2. Hearing Officer's Proposed Findings and Recommendations Submitted by Richard C. Anthony, dated March 28, 2011.
3. Hearing Notice.

Stephen D. Roberson, Attorney at Law, was present from the County of Ventura, Risk Management. Thomas J. Wicke, Attorney at Law, was present representing the applicant, William Hornbrook.

Both parties accepted into the record the Application for Disability Retirement and Supporting Documentation, and the Hearing Officer's Proposed Findings and Recommendations Submitted by Richard C. Anthony, dated March 28, 2011.

Mr. Wicke stated he did not file objections to the decision, and while he did not like the decision, the referee and Mr. Roberson set forth the facts of the case to justify the conclusion. Mr. Wicke stated he was there to answer any questions.

Mr. Wilson moved, seconded by Mr. Henderson, to adopt the hearing officer's recommendations and deny the applicant, William Hornbrook, a service connected disability retirement.

Motion passed.

V. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

D. Application for Service Connected Disability Retirement; Araceli S. Kovinick, Case No. 09-010.

1. Summary of Evidence, Conclusions of Law and Recommended Decision Submitted by Deborah Z. Wissley, dated April 26, 2011.
2. Hearing Notice.

Marshall Graves, Attorney at Law, was present from the County of Ventura, Risk Management. The applicant Araceli S. Kovinick was present.

Both parties accepted into the record the Summary of Evidence, Conclusions of Law and Recommended Decision Submitted by Deborah Z. Wissley dated April 26, 2011.

Ms. Kovinick stated she agreed with the findings.

Mr. Goulet received clarification that if the applicant is denied a service connected disability and she returned to her former job duties she would not be precluded from refileing.

Mr. Goulet moved, seconded by Mr. Hintz, to adopt the hearing officer's recommendation and deny the applicant, Araceli S. Kovinick, a service connected disability retirement.

Motion passed.

VI. CLOSED SESSION

It is the Intention of the Board of Retirement to Meet in Closed Session to Discuss Item 1 Listed on Attachment A to This Agenda.

The Board of Retirement Adjourned into Closed Session to Discuss Jeffrey Vargas v. Board of Retirement, Ventura County Superior Court Case Number 56-2009-00355110-CU- WM-VTA Pursuant to the provisions of Government Code Section 54956.9 Subdivision (a) – Existing Litigation.

Ms. Nemiroff stated that there was no announcement as a result of closed session.

VII. APPLICATIONS FOR DISABILITY RETIREMENT (continued)

E. Application for Service Connected Disability Retirement; Jeffrey Vargas, Case No. 06-049.

1. Memorandum from Lori A. Nemiroff, Assistant County Counsel, dated June 1, 2011.
2. Hearing Notice.

Paul Hilbun was present from the County of Ventura, Risk Management. Mark Singer, Attorney at Law, was present representing the applicant, Jeffrey Vargas.

Both parties declined an offer to make a statement.

Mr. Hintz moved, seconded by Mr. Wilson, to vacate the Board's previous decision and to follow the court's decision to grant the applicant, Jeffrey Vargas, a service connected disability retirement.

Motion passed. Mr. Goulet voted against the motion. Mr Goulet, stated that he did not like how the County put its case together.

VIII. OLD BUSINESS

A. Update on Retirement Administrator Recruitment Process.

Mr. Towner stated the applicant had declined the Board's offer, and Mr. Towner would provide the Board with the details in closed session.

B. Letter From Linea Solutions, in Response to CPAS Presentation.

Mr. Wilson moved, seconded by Mr. Hintz, to receive and file the letter from Linea Solutions.

Motion passed.

IX. NEW BUSINESS

A. Letter from Staff Regarding Authorization to Purchase Office Furniture.

Staff stated that for the office remodel project, a significant amount of the existing furniture will be used, but it will be necessary to purchase additional furniture based on the reconfiguration of existing office

IX. NEW BUSINESS (continued)

- A. Letter from Staff Regarding Authorization to Purchase Office Furniture. (continued)

space and the addition of new office space. Staff was seeking authorization for the Interim Retirement Administrator to spend up to \$171,087. Staff stated that the amount for the furniture, the moving expenses, and other ancillary costs are included in the 2011/12 Budget.

Mr. Wilson received clarification that the new furniture for the conference room was included in the quote, and staff explained that this new furniture would allow the staff to utilize the room more frequently and efficiently for various staff trainings and retirement workshops.

Mr. Bennett received clarification that the board room has historically been used for staff training and that utilization of the space for retirement seminars is anticipated.

Mr. Bennett received clarification that the build out would begin at the end of June, and staff was bringing the request to the Board at this time because it will take 8 to 10 weeks for delivery. Staff noted that it would be possible for the Board to delay making a decision on the acquisition of a number of the pieces.

Mr. Goulet stated that the furniture acquisitions could be delayed for the conference room.

Mr. Wilson received clarification that the tables currently being used in the conference room would be moved to a storage room or the project room, and they were not going to be discarded.

Mr. Bennett stated that he would prefer that the new Administrator be comfortable with the proposal, and questioned the necessity of making these purchases at this time.

In response to Mr. Harris's inquiry, staff stated that it leveraged County of Ventura resources and did not issue an RFP. Staff clarified that the County does issue RFP's, and for Herman Miller office furniture and workstations, the County contracts with TriCounty Office Furniture (TriCounty). Staff stated contracting with TriCounty allowed for maximum utilization of the current Herman Miller office furniture and workstations.

IX. NEW BUSINESS (continued)

- A. Letter from Staff Regarding Authorization to Purchase Office Furniture. (continued)

Mr. Goulet stated that the new offices would require additional furniture but that he was concerned with the acquisitions for the conference room. He received clarification that the general office seating would be replacing various chairs throughout VCERA, based upon a County of Ventura safety officer ergonomics evaluation.

Mr. Henderson opined that, absent a specific medical issue, using an ergonomics expert to advise staff on the acquisition of furnishings is not the best course of action. He stated that he would defer this decision until there is a new Administrator.

Staff stated that absent some of the systems furnishings the project would not be able to proceed.

A general discussion ensued regarding what office furniture purchases were essential to continue with the remodel.

Mr. Bennett moved, seconded by Mr. Hintz, that staff identify the furniture acquisitions deemed essential for the remodel and build out, and to return to the Board in two weeks for discussion and action.

Motion passed.

- B. 2011 VCERA Business Plan.

Staff presented the 2011 VCERA Business Plan, stating that the Plan's purpose is to assess risk areas that may impact the delivery of plan services to members and beneficiaries, and to provide a strategy to address those risks.

Staff stated with respect to Plan Sponsor risks, VCERA may be impacted by changes as a result of collective bargaining; payroll system changes; and furloughs, lay-offs, tax treatment of employee contributions, and early retirement programs.

Staff stated with respect to State and Federal Legislative Changes risks, VCERA may be impacted by IRS Rules/Plan qualification requirements; legislative changes to the County Employees' Retirement Law; and other federal legislative changes. Staff cited the fact that VCERA is currently undergoing a review of plan qualification

IX. NEW BUSINESS (continued)

B. 2011 VCERA Business Plan. (continued)

with the Internal Revenue Service, and the multitude of legislative changes that may significantly impact operations.

Staff stated with respect to Financial Reporting & Funding risks VCERA may be impacted by Financial Accounting Standards Board or Governmental Accounting Standards Board (GASB) change to reporting requirements; changes in actuarial assumptions; changes to the data provided by human resources/payroll system; and changes in tax reporting requirements. Staff gave the example that the GASB is currently reviewing how measurement of plan liabilities will be reported.

Staff stated with respect to Investment risks VCERA is impacted by the diversification, the risk/return and cost, and the liquidity of the portfolio; and asset performance relative to the actuarial assumptions.

Staff stated with respect to Technology, risk exists with regard to the obsolescence of the current Retirement Database System (RDBS) and the Retirement Information System (RIS), VCERA's control over service delivery, and disaster recovery/business continuity issues.

Staff discussed those risks identified in the Business Plan as Other Risks. Staff stated that VCERA has exposure in the areas of management and staff turnover, the composition of staff as the plan grows and evolves, fiduciary and legal obligations.

Staff highlighted the 2010 accomplishments which included Retirement Workshops, an additional newsletter, website improvements, the addition of a technology staff member, and greater staff development to improve customer service. In addition, staff was able to negotiate with the landlord to move to empty space on the third floor during the build out of the existing and additional office space, thereby expediting the reconstruction and minimizing costs by using existing network and telecommunications infrastructure.

Staff also commented on the departure of the Retirement Administrator and the Executive Assistant, and the loss of their institutional knowledge. Staff stated that while there were fewer resources with which to meet the members' needs, with careful leveraging of staff's talents, the members' needs were being met.

Staff stated that the 2011 Business Plan reflects the status quo, and

IX. NEW BUSINESS (continued)

B. 2011 VCERA Business Plan. (continued)

may be revised per the Board's direction once a new Administrator is appointed. Staff reviewed the priorities including staffing level and cross-training, membership services, governance and management turnover, automation of the Agenda process, an audit of the actuarial assumptions, the Internal Revenue Service Tax Determination Letter filing, accounting standard changes, the Comprehensive Annual Financial Report, changes to the accounting system related to the new Pension Administration System, portfolio monitoring, investment diversification, investment policy review, asset allocation and portfolio rebalancing, website enhancements, and educational opportunities for the Trustees and vendors.

Mr. Bennett received clarification from staff regarding the governance and management turnover issues.

Mr. Goulet stated that the governance and management turnover issue involved whether salary level decisions should be driven by the Board of Retirement or not.

Mr. Goulet received clarification as to why the audit of the actuarial assumptions had not occurred.

Mr. Henderson received clarification that it was not possible to determine when there would be a response to the Internal Revenue Service Tax Determination Letter.

Mr. Goulet sought clarification as to who would be doing the rebalancing.

Mr. Goulet stated that during review of the prior year's Business Plan, he had requested corrections and that these corrections are not reflected in the 2011 Business Plan. He stated the first sentence on the first page should have the last two words ("Planning Policy") deleted and replaced by the word, "Plan." He continued by stating on page six, the correct name of the association is, "the California Retired County Employees Association." He highlighted the inconsistency throughout the Plan between the use of the terms Pension Administration System, and Benefits Administration System, and stated it should be, "Pension Administration System." Mr. Goulet requested that a Policy Handbook be developed, and that a Disability Workshop be included as part of the 2011 Business Plan. Mr. Goulet stated that the purpose of a Disability Workshop would be to provide

IX. NEW BUSINESS (continued)

B. 2011 VCERA Business Plan. (continued)

guidance to the County as to what documentation the Board wants to receive, address the back log of cases and discuss remedies, and discuss how other systems process applications.

Mr. Hansen had clarified that there is a Disability session during the SACRS conference.

Mr. Henderson stated he would prefer that approval of the 2011 Business Plan be deferred until the new Administrator can address the issue of the allocation of resources to each of the priorities within the Business Plan.

Mr. Bennett stated that by allowing for the additional time, the staff would have the opportunity to provide a more detailed analysis.

Mr. Henderson moved, seconded by Hintz, to have the new Administrator return, within the first month of his/her employment, with the 2011 Business Plan for evaluation of the items discussed.

Motion passed.

C. 2011-12 Administrative Budget and Travel Policy.

Mr. Goulet stated that in the Travel Policy on the first page, the fifth line from the bottom the word, "as," should be deleted, and the second line from the bottom the words, "...at the following..." should be replaced with, "...no later than the second subsequent..."

Mr. Bennett stated he would like the policy to state on page one, under "Purpose," "...the Board Members and staff members are allowed to *cost effectively* attend...."

Mr. Goulet moved, seconded by Mr. Hintz, to approve the Travel Policy subject to the changes noted by Mr. Goulet, and Mr. Bennett.

Motion passed.

Staff highlighted items from the Budget, including the legislative change to the Administrative spending limit (CAP), the exclusion of computer expenses from the CAP, and the inclusion of legal expenses

IX. NEW BUSINESS (continued)

C. 2011-12 Administrative Budget and Travel Policy. (continued)

in Administrative costs; the inclusion of a Contingency; the one-time increase in Information Technology costs as a result of the Pension Administration System; and the one-time costs associated with the space build out. Staff noted that even with the Contingency VCERA is under the CAP.

Staff reviewed some specific line items including salaries, legal fees for County Counsel, the furniture and facility costs, automated agenda costs, the contract for maintenance for the existing data base, the estimated cost for the new Pension Administration System, and the Contingency.

Mr. Bennett received clarification that there was no specific guidance within VCERA regarding the establishment and treatment of a Contingency.

Mr. Wilson received clarification that staff would advise the Board when there was an anticipated Budget shortfall, at which point, the staff would ask that an amount be moved from the Contingency to the specific line item.

Mr. Bennett stated he thought a Contingency policy was important, to have a written policy that staff would seek board approval prior to transferring funds from the Contingency, Mr. Goulet stated that the Contingency should be related to the size of the budget, and not the CAP. He stated he would prefer that it be ten percent of the gross budget.

Mr. Goulet sought clarification regarding a line item for extra help. Staff stated that the organization had not historically budgeted extra help because extra help had been used to back fill an employee vacancy, which is budgeted within salaries. Staff noted that including the expense in both salaries and extra help would overstate the budget.

Mr. Goulet stated that there may be a situation when extra help for a project would be appropriate.

Mr. Goulet received clarification that both the 2010 and 2011 Budgets reflected the reduction in the employer's cost for the employee pick-up, but the contribution rates for the employer contribution will be increasing in 2011.

IX. NEW BUSINESS (continued)

C. 2011-12 Administrative Budget and Travel Policy. (continued)

Mr. Goulet received clarification that the line item for professional services included the amount for the Retiree payroll processing vendor, Automated Data Processing.

Staff stated that the budget reflects an increase in the amount paid to CMP. In prior years, the budget reflected 1,500 hours of the contractor's services, whereas the 2010 and 2011 Budgets reflect 2,080 hours due to the vendor's involvement with the PAS project.

Staff stated that the amount budgeted for Linea is due to the significant resources the vendor has committed to the PAS project. Staff stated that Linea will be providing a detailed work plan for the Board's review.

Mr. Bennett requested that Linea's work plan be as detailed as that provided by the new PAS vendor.

Mr. Goulet stated that he would like to have a budgeted amount for extra help of \$50,000, and the Contingency reduced to 10% of the revised total budget.

Mr. Bennett received clarification that the extra help will be needed through the beginning of next fiscal year due to the Retirement Administrator, Executive Assistant, and Fiscal Manager vacancies. Staff stated that \$25,000 is estimated for the current extra help needs.

Staff was directed to revise the budget to reflect a \$25,000 allocation for extra help, and a Contingency equal to ten percent of this revised total Budget (proposed Budget less the \$25,000 allocated to extra help).

Mr. Henderson received clarification that there are currently three vacancies (Retirement Administrator, Fiscal Manager, and Executive Assistant) within VCERA; two of the positions are being filled by leveraging current staff resources and one is being filled from a temporary staffing service.

Mr. Henderson received clarification that the Fiscal Manager position had remained unfilled for over a year and a half in anticipation of potential changes in the skill set required. Staff stated that the job

IX. NEW BUSINESS (continued)

C. 2011-12 Administrative Budget and Travel Policy. (continued)

may require an expanded skill set in the compliance area as a result of the Internal Revenue Service's response to the Tax Determination Letter.

Staff stated it would bring back the revised Budget at the next Board Meeting.

X. CLOSED SESSION

It is the Intention of the Board of Retirement to Meet in Closed Session to Discuss Item 2 Listed on Attachment A to This Agenda.

The Board of Retirement Adjourned into a Closed Session to Discuss the Appointment of a Public Employee: Retirement Administrator, Pursuant to the Provisions of Government Code Section 54957(b) (1).

Mr. Towner announced that the Board decided to proceed with the solicitation of another candidate and authorized the Chair to begin that process.

XI. INFORMATIONAL

A. Letters Regarding Termination of STAR COLA Benefit from:

Lucille Cunningham, Mary Mayer, Mrs. Charles Sutton Sr., Elizabeth Enoch, Patricia Kemp, Marza M. Olson, Nancy Bowlin, George Easter, Victor Lopez, Mary J. Connell, Mrs. Maurice P. McKnight, Joyce Hyatt, David K. Branam, Betty Jane Daly, William C. Roderick, Leonard K. Wyatt, Charline B. Appleton, Billy Jack Clark, Edna M. Arnette, Russell L. Noragon, Margaret Smoot, Robert E. Hindman, Eugene D. Bowen, Billie E. Mayfield, Louis L. Morris, Frances J. Tatum, Meda Brixie, Harvey Plaks, Josephine Willett, Jora N. Close, Donald L. Williams, Marcia Clinton, Norman Wates, Jaqueline Grindd, William A. Cox, Clyde Taylor, June Longshore, Kristi LaMonte, Dolores Benegas, Deloris June Gregory, Lloyd Joines, Dorothy M. Smith, Charles Sitton, Albert J. Lyons, Barbara McMullen, Larry E. Stocker, Beverly Record, Charles L. McLaren, Margaret L. Thompson, Thomas Billhimer, Maxine M. Smith, Leon Likens, Iva M. Fuentes, Thomas D. Temple, Emma Frances Phillips, Robert & Marci Coffey, Barbara Varat Kerkhoff, Patricia Larson, Dallas O. Mallernee, Joel K. Hamamoto, Helen J. Richards, Donald L. Williams and Shirley Haynie Marlow.

XI. INFORMATIONAL (continued)

- B. Modern Investment Theory and Practice for Retirement Systems-SACRS Public Pension Investment Management Program 2011; UC Berkeley, Haas School of Business, July 11-13, 2011.

XII. PUBLIC COMMENT

Ms. Kerkoff remarked that the elimination of the STAR COLA in its entirety at this stage in her life would be a life changing event to her, as well as others, since she is not in a position to reenter the job market. She stated that the benefits are being paid to 375 beneficiaries, the employees had not been highly compensated and so neither they nor their beneficiaries receive high benefit payments, and the employees had retired prior to 1981. She stated her current STAR COLA benefit is \$822.03 per month, approximately 36% of her pension benefit. Ms. Kerkoff requested that the Board continue the benefit for another year and evaluate it at that time, or, in the alternative, cut back rather than cut out this benefit.

Mr. Goulet stated that he voted against the discontinuance of the STAR COLA, and had encouraged the Board to consider alternatives. He stated that while he cannot make the motion, he would like some other Board Member to make a motion to ask the staff to come back with any possible alternatives. Mr. Goulet stated that the average age of the STAR COLA beneficiary is in excess of 80 years old; the group that retired prior to 1975 retired on much lower salaries and did not have 401(k) or 457 Plans, and the Safety retirees did not have social security.

XIII. BOARD MEMBER COMMENT

Mr. Wilson expressed his interest in receiving information regarding VCERA's liabilities more frequently than once a year. Staff stated it would contact the Actuary to discuss what information could be provided.

Mr. Goulet received clarification regarding the CPAS contract termination and VCERA's ability to keep some of the information developed during the first phase of the PAS project. Staff stated that the work product, the requirements utilized within the FAST documents, were retained by VCERA, but the FAST documents themselves, which were proprietary to CPAS, were returned or destroyed. Staff stated he would confirm this understanding with Mr. Colker.

XIV. ADJOURNMENT

There being no further items of business before the Board, Chairman Towner adjourned the meeting at 11:34 a.m. upon motion of Mr. Hansen, seconded by Mr. Wilson.

Respectfully submitted,

HENRY SOLIS, Interim Retirement Administrator

Approved,

TRACY TOWNER, Chairman