VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BOARD RETREAT

OCTOBER 6, 2011

MINUTES

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

DIRECTORS ABSENT: Joseph Henderson, Public Member

STAFF PRESENT: Henry Solis, Interim Retirement Administrator
Lori Nemiroff, Assistant County Counsel

PLACE: Marriott Ventura Beach
2055 East Harbor Boulevard
Ventura, CA 93001

TOPIC:

I. Introductions, Administrative Matters and Review of Agenda

Chairman Towner called the Board Retreat to order at 9:00a.m.

Chairman Towner stated he would be exiting the retreat at noon and Mr. Wilson will chair the retreat in his absence.

Mr. Wilson moved, seconded by Mr. Harris, to approve the October 6, 2011, retreat agenda.

Motion passed.

II. Macro Economic Update

Kevin Vandolder, CFA, from Hewitt EnnisKnupp ("HEK") reviewed the agenda, and the educational and informational purpose of the retreat. He introduced Kevin Chen, Senior Consultant, from HEK.

Mr. Vandolder commented on the current economic environment including the junk bond market index yield of 9%, the impact of the rhetoric surrounding Greece and government policy. With reference to a book by Howard Marks, the chairman and cofounder of Oaktree Capital Management, Mr. Vandolder discussed the need for "second level thinking," looking for opportunities to buy what others are selling off.

Christopher Orndorff, CFA, was present from Western Asset.

Mr. Orndorff stated that bonds are in a portfolio to generate stable income over a longer period of time; that they historically have had a real rate of return of 2.5%; and, they serve as a counterweight to the volatility and periods of poor performance in the equity markets.

Mr. Orndorff discussed the current U.S. economic climate and refuted the belief that the U.S. does not produce goods, citing the growth in exports to emerging markets resulting in fundamental, dramatic, and long lasting changes to their economic demographics. He offered specific examples including tractors, building materials, aircraft engines, and raw materials.

Retail sales are relatively strong, and the trend of consumers to smooth out consumption over a long period of time and deleverage is lessening, opined Mr. Orndorff. Industrial production is doing relatively well, but as a result of the excess capacity the anticipated economic boom is not occurring, producing the lack of consumer confidence, according to Mr. Orndorff.

Regardless of the fact that the percentage of the adult population that has a job is 58.2%, the lowest number since 1983, and has remained approximately the same since 2008, Mr. Orndorff stated he does not believe there will be a double dip recession. One of the distinctions between the current economic situation and 2008 is the health of the financial institutions in the U.S., particularly when contrasted with the financial institutions in Europe, opined Mr. Orndorff.

Mr. Goulet received clarification that, while a 2012 election topic, absent actions resulting from an issue of political expediency, the lawsuits regarding mortgage backed securities will be determined based upon the contracts. Mr. Orndorff opined that the election rhetoric regarding targeted policy, absent permanent structural adjustments, does not address the fundamental changes that have occurred.

II. <u>Macro Economic Update</u> (continued)

The interest rates are expected to remain low until 2013, and Operation Twist will be bringing down the yield curve on Treasuries, driving up the high yield, and the defaults, according to Mr. Orndorff. There are some attractive yields outside of the U.S., Mr. Orndorff stated, and he delineated the many factors that contributed to them.

Mr. Orndorff stated that the next decade will be full of unexpected outcomes reflective of major demographic and global economic structural changes.

Andrew Barker, Senior Portfolio Manager, was present from Artio Global Investors.

Mr. Orndorff concurred with Mr. Vandolder that there is a need to apply second level thinking. He stated that, while there is confused policy and confused markets, there is significant structural clarity.

The back drop for the next ten years came about as a result of the development of the emerging markets in the 1980's which competed with the unskilled U.S. labor pool, and flows of money into those countries, only to have the money withdrawn when inflation arose, opined Mr. Barker.

Mr. Barker distinguished China from other emerging markets by its loaning money back to the U.S and its policy decisions which in the next ten years will be to move toward growing domestic products and domestic consumption and away from the current infrastructure programs. He opined that China, along with other emerging markets, will be significant consumers and producers of products; and, while there will be a decline in the U.S. relative standard of living, the U.S. will still be rich with 17% of the global GDP and 4% of the population.

The aging demographics, the new systemic economic structures, the spending flows overseas boosting China's reserves, China's lending money to the U.S., all result in an unsustainable position, according to Mr. Barker. He stated that the policy decisions being made are at odds with these facts, resulting in market volatility, and investors looking for ways to steer around these policy changes.

Mr. Barker stated the West is running out of policy options and those policy decisions that are being made should address structural changes that focus the strengths within the U.S. economy.

Mr. Bennett received clarification that while China's policy to leave labor competitive could lead to protectionism around the world, the policy to move production to domestic products, and the latitude of the government with regard to policy decision making make China attractive, provided the Board can become comfortable with the corporate governance and transparency issues.

II. Macro Economic Update (continued)

Mr. Barker stated that India is not attractive in the short run, but within ten years it will be two-thirds to three-fourths of the U.S. economy.

Mr. Barker opined that the growth will be in globally positioned domestic companies in emerging markets. Companies that develop global competitiveness within their domestic markets and leverage those economies of scale, with a product that is not easily reproducible will become global competitors, according to Mr. Barker.

Mr. Wilson received clarification regarding the decrease in the stock market activity in China, given the market conditions discussed.

Mr. Bennett received clarification that China's policy to allow the yuan to rise will allow the economy to rebalance away from exports to domestic production.

Mr. Towner received clarification that neither the Cooperation Council for the Arab States of the Gulf (GCC) nor any other major creditor of the U.S. is interested in undermining the U.S., a major consumer. However, this may change if the dollar weakens or there is another major consumer, according to Mr. Barker.

Mr. Orndorff forecasted a return of 4% to 4.5% in the core bond portfolio over the next 10 years, with a heavier weighting to high yield, offering a 6% return.

Mr. Barker expected that with a modest interest rate the return will be 8% to 10% as a result of the equity risk premium.

III. Credit Basket Introduction

Mr. Vandolder addressed the opportunistic credit basket and bank loans, as a means to allow the fixed income manager to bring numerous strategies together into one commingled product with the goal of receiving a 7% to 9% return, net of fees.

Mr. Vandolder stated the credit basket is a defensive strategy in the face of rising rates. He stated that this is not a strategy that HEK recommends VCERA to implement but is a strategy that is used by endowments and foundations that have a greater tolerance for higher fees and leverage.

Mr. Chris Johnston received clarification as to which managers provide the services, and that the fees are similar to those of a hedge fund.

Mr. Vandolder summarily stated with regard to the credit basket strategy that it lacks liquidity, and it is an expensive complex strategy that employs leverage and lacks transparency, and is not a good fit for VCERA.

III. Credit Basket Introduction (continued)

Mr. Wilson and Mr. Hintz concurred that it was not an appropriate strategy for VCERA due to substantial risk.

Mr. Vandolder stated that the bank loan strategy pertains to lending funds for short term corporate cash needs, while maintaining a seniority position, and being compensated accordingly, with an additional 3% or 4% over LIBOR (London Interbank Offered Rate). If the Board determines that this is a mandate they wish to explore, Mr. Vandolder recommended hiring a manager with whom the Board is already comfortable.

Mr. Goulet stated that regardless of the position of the loan to other obligations, if there is nothing to distribute, there will be nothing to distribute.

Mr. Chris Johnston, while acknowledging it was probably not viable for VCERA, stated he liked the idea with a minimal mandate.

Mr. Vandolder stated that this strategy and K2 fit into the opportunity fund, and based upon the Cortex report there are an insufficient number of subcommittees to handle the complexity.

Mr. Goulet stated, absent a CIO, VCERA would have to hire a fund of funds manager.

Mr. Harris stated that because of the strategy's use of leverage and the time frame he is not comfortable with the investment.

Mr. Vandolder stated he would be willing to continue the conversation with those interested, recognizing the drivers of VCERA's strong returns relative to peers were risk control, cost containment, and a thoughtful use of alternative investments. VCERA's public fund peers, which have more complex portfolios, rely heavily on consultants, while VCERA has a more traditional appearance, according to Mr. Vandolder.

IV. Securities Lending Review

Mr. Chen reviewed the mechanics of securities lending.

Mr. Chris Johnston reminded the Board that Barclays lost $4 billion in one month and they had to cover those losses.

Mr. Wilson stated State Street is a highly rated fund.

Mr. Bennett received clarification that theoretically the whole investment can be lost,

IV. Securities Lending Review (continued)

but that it is conservatively managed.

A discussion ensued regarding the relative risk and return to the portfolio.

Mr. Vandolder stated State Street had made some changes to their securities lending. They split the pool into a liquidity pool and a duration pool and anticipate over the next few years eliminating the duration pool, which is 90 days plus and approximately 30% of the entire pool.

The Board discussed the consequences of withdrawing from State Street's Fund D. Mr. Vandolder noted that it was a small investment relative to the portfolio and, absent 2008, has been worth the risk.

Mr. Goulet received clarification that there hasn't been more frequent reporting on securities lending because, in the past, the Board had asked not to be provided too many reports, so it has been monitored at the staff level. Mr. Vandolder stated he would be providing the Board with quarterly reports going forward.

Mr. Towner stated that portfolio exposure existed in how the cash was being invested.

Mr. Bennett received clarification that, as far as Mr. Vandolder recalled, VCERA had always done securities lending, and while it had gone through a significant test, it had not had a loss.

Ms. Nemiroff stated that she will look into whether the current contract with State Street includes an indemnification provision.

V. Working Lunch - Hewitt EnnisKnupp – Current Capital Market Assumptions

Mr. Vandolder stated the significance of the capital market assumptions.

Mr. Vandolder stated that in public plans he typically sees a ten year time horizon; however, since the plan is to operate into perpetuity the plan sponsor would seek a longer period, such as thirty years. In response to this HEK will be preparing both a ten year and thirty year asset liability study for VCERA, according to Mr. Vandolder.

Mr. Vandolder stated that he will prepare pro forma scenarios based upon each of the decades the 60's (good growth with no real meaningful inflation), the 70's (stagflation), the 80's (fairly good), and the 90's (very positive relative to liability streams).

He reviewed the current assumptions, expected returns and risks, and mean variance

V. **Working Lunch - Hewitt EnnisKnupp – Current Capital Market Assumptions (continued)**

optimization and stated the most efficient portfolio if left unconstrained is 40% real estate, 30% private equity, and with the remainder in other alternatives. This is untenable according to Mr. Vandolder, so they constrain the portfolio to no more than 8% real estate and 5% private equity and develop a model that is then stress tested under the various scenarios.

Mr. Vandolder detailed the derivation of the expected nominal returns which is derived from inflation, dividend income, GDP growth and an adjustment.

Mr. Vandolder stated that, as practitioners, HEK is more conservative than the managers.

Mr. Vandolder stated that HEK is emphasizing the entrance into global markets based upon this model, which states Global Equity offers approximately the same returns as Private Equity.

Mr. Vandolder stated that under the best-estimate return assumptions it will be a challenge to make the 8% earnings assumption, because, based on where VCERA is positioned today in its policy portfolio, if it invested in index funds to replicate this policy portfolio, VCERA would earn 7.6% net of all fees.

Mr. Vandolder stated that the entry point into the asset liability study is that they are 44% confident that VCERA will earn 8% or greater returns without assuming any positive alpha from active management success. Mr. Vandolder opined that technically the equity risk premium has never been healthier than it is today.

Mr. Wilson questioned whether a 2% inflation rate is tenable for a thirty year period. Mr. Vandolder stated that actuarial inflation is wage inflation as distinguished from global inflation, which is used in this model.

Mr. Monroe stated Segal uses 4.25% for wage inflation, and 3.5% for price inflation. Mr. Vandolder stated that the HEK economists are looking at the excess capacity that must first be utilized before they increase their projected inflation figure.

Mr. Vandolder stated that the first step in the asset liability study is to determine the most efficient level of risk to meet VCERA's liabilities and then determine how to fund those risk categories. He stated he will continue to encourage the Board to move into the global equity market.

Mr. Vandolder stated that Artio's portfolio has a 40% exposure to emerging markets and they have not performed well in the last nine months. A discussion ensued regarding Artio, during which it was determined further discussion was warranted.

VI. Global Private Equity Update

Mr. Denneny, Consultant, from HEK was present. Mr. Denneny was involved in the private equity search for Pantheon and Adams Street.

Mr. Denneny reviewed the 5% policy allocation for the two private equity fund to fund managers, Adams Street and Pantheon.

The Adams Street global offering of the 2010 edition, $85 million, is invested in a diversified portfolio of venture capital, buyouts, mezzanine debt, distressed debt and turnaround equity and energy type funds across a number of vintage years and is still investing in that portfolio today, according to Mr. Denneny.

He stated that there is an expectation that it will be a four to five year investment period, four or five vintage years of private equity exposure, global feeder non-U.S. developed markets and non-U.S. emerging markets, and direct co-investment fund vehicles where they are investing in companies and partnerships.

Mr. Denneny stated that Pantheon manages $15 million through their global secondary fund and it has a very diversified strategy across all underlying asset classes as well as across vintage years and geography. Pantheon is providing backwards diversification by buying into prior vintage years and limited partnership interests at a discount, according to Mr. Denneny. This backwards diversification helps avoid the dip on the cash flow j curve because as the fund buys into those investments, it gets market value exposure that's already in the fund, according to Mr. Denneny.

He stated that as of March 31, 2011, 10.3% had been drawn down on total commitments and the $100 million invested to date has provided a net IRR of 16.8%, and a $900,000 alpha.

Mr. Bennett received clarification regarding how buying into the mature portfolios resulted in the fund's performance.

Mr. Goulet requested that Mr. Denneny work with the managers to report the fees to the Board.

Mr. Vandolder highlighted the six month delay in receiving information and the high fees relative to other asset classifications.

Mr. Denneny stated that Adams Street, being a direct fund, will usually fund or invest more quickly than the partnership funds, and have a shorter investment period and life, so it has called for 20%; while Pantheon has called for only 15% for secondary investment.

VI. Global Private Equity Update (continued)

Mr. Denneny expounded upon the fees being based upon commitment level, rather than amount invested.

Mr. Bennett received clarification that the distributions typically fund the investment and the entire commitment is not typically paid into the fund.

A discussion ensued regarding the net asset value of the fund being reported.

Mr. Goulet received clarification regarding how HEK reports private equity, and the consequences of the timing difference between the capital calls and the amounts reflected on the HEK reports. Mr. Vandolder provided clarification regarding HEK's role of providing monitoring support rather than back office support. Staff provided the amount called to date.

Mr. Wilson received clarification that when the demand for private equity is high, the investor will sit on the side lines until the prices become more attractive, and this has been reflected in the slow cash draw downs, which are starting to increase.

Mr. Denneny stated that the model is reviewed and updated annually to make changes to any underlying metrics, and how the NAV target, which is 5% of the overall program, will go forward with different pacing than originally determined. Mr. Denneny discussed the various funding scenarios.

Mr. Goulet received clarification that with private equity there is an overfunding strategy, and VCERA is paying fees on money that it never intended to pay into the fund. Mr. Goulet stated he is concerned about committing substantial funding to this asset class given that in the past two years, the managers have drawn down only a small amount.

Mr. Denneny stated the advantage is that private equity is rebating fees because of the slow draw down and, in any event, he anticipates the draw down rate to look more normal going forward.

Mr. Denneny stated that at the 2016 period it will look like VCERA paid out $375 million at the same time the NAV will be $150 million with the difference at any point in time being only 50% is at risk, while the other 50% is sitting in another asset class. Mr. Chen stated that the valuation of the underlying assets is guided by FASB 157.

Mr. Vandolder highlighted the fact that with consistent investing VCERA will have the advantage of vintage year diversification, and it would be prudent to recommit to funding this mandate. He provided clarification regarding investing and harvesting.

VI. Global Private Equity Update (continued)

Mr. Denneny stated that they typically do not invest with any managers who have not invested their own money, thereby aligning their interests.

Mr. Vandolder stated that the complexity and VCERA staffing lends itself to a fund to funds scenario.

VII. De-Risking the Policy Portfolio Explored

John Monroe, ASA, of The Segal Company was present to discuss de-risking the portfolio.

A discussion ensued regarding the annual actuarial evaluation, determining the funding rate, and the 100% funding policy target.

Mr. Wilson stated that the objective is to have current employees fund their pensions during their working career.

Mr. Goulet stated that there are insufficient contributions when there is reciprocity. Mr. Monroe stated that their assumptions take this into account.

Mr. Monroe reviewed the demographic assumptions: mortality, turnover, retirement rates, promotion and merit increases; and, investment earnings assumptions. He stated that there is a triennial review of the assumptions.

Mr. Monroe reviewed how the assumptions are used to determine the past actuarial liability and the normal costs, and the application of a smoothing method. He stated that while the actuarial calculation provides an answer, with regard to funding policy, which is Board policy, there is no right answer.

Mr. Bennett received clarification regarding the impact of no pay increases, and that an experience study is done to prove whether the assumptions are providing the expected results over the long term.

Mr. Monroe reviewed the basic formula whereby contributions plus investment earnings must equal benefit payments plus expenses. He stated that since contributions are a function of the other three factors, changes in either the actual amounts or assumptions will change the contributions.

Mr. Wilson received clarification that if the fund was fully funded, changing the asset allocation to riskless assets would require that the earning assumption be reduced to 5%.

VII. De-Risking the Policy Portfolio Explored (continued)

Mr. Chris Johnston stated that in the past the Board determined not to derisk the portfolio when the fund was 100% to 105% funded, which would have led to a lower stable contribution rate.

Mr. Vandolder stated if the Board was interested in derisking the portfolio at some time in the future then a policy would need to be implemented.

Mr. Goulet emphasized the importance of not giving contribution holidays, and he received clarification that the Board of Supervisors has adopted a policy not to have a contribution holiday. Mr. Monroe confirmed that Segal will act upon any funding policy change made by the Board of Retirement.

A discussion ensued regarding an appropriate period over which to amortize any surplus.

Mr. Monroe stated that the GASB and the market approach are two distinct models.

David J. Blair, CFA, Senior Vice President and Account Manager, and Vineer Bhansali, PhD, Managing Director and Portfolio Manager, were present from PIMCO to discuss how to lock in gains, minimize the downside and what is given up on the upside, and how to smooth the returns if wildly overfunded.

Mr. Bhansali opined that there has been a spreading of the normal distribution curve for risk, evidencing a wider range of outcomes, with the tails of the curve representing improbable events that cause significant portfolio events. Within the new macroeconomic model there is higher volatility and more frequent improbable severe events. This warrants positioning the portfolio to avoid the catastrophic events and to offensively improve the long term return, according to Mr. Bhansali. He stated that because of this “new normal” the historical methods of asset allocation are not effective.

Mr. Bhansali discussed what the impact on a portfolio would have been if it had missed the ten worst days and the 15 best days in the history of the market since 1988.

Mr. Bhansali discussed the fallacy that a diversified portfolio does not share the same tail risk as a traditional portfolio when the underlying assets share the same risk.

The four approaches to hedging tail risk include timing; reducing the risk in the portfolio (selling equity and buying bonds); put options; and, strategies such as managed futures which when done in small amounts can improve the portfolio performance, according to Mr. Bhansali.

VII. De-Risking the Policy Portfolio Explored (continued)

Mr. Vandolder summarized the strategy by stating that the investor is increasing equity risk, and putting insurance on it.

Mr. Bhansali stated that this allows the portfolio to take advantage of the added return in the recovery period which more than compensates the fund for the cost of the insurance. He opined that these portfolios can be created easily and quickly.

Mr. Bhansali stated that there are three steps to employ the PIMCO hedging process: identify the portfolio risks and hedge level; scan the options markets for suitable hedge instruments; and implement the hedge portfolio based on targeted hedge levels.

Mr. Goulet received clarification regarding the possible hedge instruments.

Mr. Wilson received clarification that PIMCO offers a sequence of commingled funds every quarter that have a one year horizon.

Mr. Bhansali stated that while there may be potentially more volatility there won't be the same amount of tail risk. Mr. Bhansali stated that a reduction from 70% to 60% risk will result in a 3% to 4% reduction in return and the reduction in tail risk will cost 120 bps with 100 bps for the insurance premium and 20 bps for the management fee and administration.

Mr. Blair stated that this strategy will not prevent negative losses. He opined that the consequences of a negative year on a fund that is fully funded are unpleasant but even more unpleasant for the plan sponsor when a fund is not fully funded. The 1990's, when the equity markets got to full valuation, were a time when the plan sponsor should not have stopped funding the plans because the markets turned so aggressively, according to Mr. Blair.

Mr. Bennett received clarification that this strategy, which PIMCO has employed since 2003, has worked and is working, but that is not a guarantee it will work going forward. Mr. Vandolder stated that the focus should be on the skills the manager brings to the table to create and implement a strategy, and HEK has made a positive evaluation of PIMCO.

Mr. Vandolder stated that the Board must decide if it wants to reduce the current 7.6% rate of return from, possibly resulting in higher contributions for the plan sponsor. He stated that this will be at the cost of downside protection.

Mr. Chris Johnston stated this will be important in the future and he would like to see more information.

VII. De-Risking the Policy Portfolio Explored (continued)

Mr. Vandolder stated a derisking policy when the plan is fully funded will provide future Board Members with guidance.

VIII. Discussion on Cortex Governance Report

Kevin Vandolder of Hewitt EnnisKnupp presented the Cortex Applied Research, Inc., 2010 Fiduciary Benchmarking Study for U.S. Public Retirement Systems for VCERA.

Mr. Vandolder reviewed the thirteen items presented in the report, and stated that the items were observations.

With regard to the issue of governing authority and autonomy, Mr. Vandolder stated that it was generally the Board of Retirement's responsibility to determine compensation structures for those individuals that report to them, subject to the County's salary structure.

Mr. Vandolder stated that the VCERA Board of Retirement does not function with committees due to the interest and active participation of all the Board Members and that this has served VCERA well.

Mr. Goulet noted Cortex's comment regarding the possible need for a policy pertaining to the issue of compensation guidelines.

With regard to delegating the hiring and firing of investment managers to an administrative committee, again, the Board realizes some efficiencies based on an understanding of each of the Board Member's strengths and the long standing relationships with each other, according to Mr. Vandolder.

Mr. Chris Johnston commented on the current staffing level.

Regarding the policy frameworks, Mr. Vandolder directed his attention to the Board self-evaluation and observed that the Board Members seem to provide open constructive criticism.

Mr. Vandolder highly encouraged the Board to read the ethics policy, and update it; and noted that Cortex has sample policies.

Item six, Board Education, referred to the retreat and other educational opportunities, but also to an orientation manual, according to Mr. Vandolder. He stated the HEK can assist with the preparation of a formulized roadmap of the policies into an orientation manual or handbook.

VIII. Discussion on Cortex Governance Report (continued)

Some of the Board Members shared their VCERA Board orientation experiences.

Mr. Wilson received clarification that there is a triennial policy review.

Staff stated it has been a goal to compile the policies, but have not had sufficient resources to develop a formalized policy manual.

Mr. Vandolder stated that VCERA may want to establish an internal audit function.

Staff stated that while this may be a requirement based upon the response to the tax determination letter, this would be a challenge given that there are two fiscal resources, one of which, the CFO, is being leveraged to back fill for the vacant Retirement Administrator position. Staff stated that the external auditors do provide a limited review and present that to the Board with the CAFR.

Mr. Vandolder stated that more objective measures may be considered for the Retirement Administrator's position.

State Street Global Services, The Segal Company, and HEK, are the service providers that the Board may consider assessing, according to Mr. Vandolder. He briefly discussed how it was done by the prior Retirement Administrator.

A discussion ensued regarding member communications and service quality measurement.

Mr. Tom Johnston stated a communication feedback mechanism should be developed.

Mr. Hintz stated that the VCERA website should be made easier to use, and link the Tax Collector-Treasurer website.

Mr. Vandolder stated that he and VCERA staff receive numerous voice mails and that it would be useful to develop a roadmap for staff on topics they may discuss.

A discussion ensued regarding what should be included on the website, and in the Minutes.

Mr. Tom Johnston stated his experience in the hospital setting regarding disclosure of medical related issues and HIPPA and suggested that disability applications be heard in closed session.

Ms. Nemiroff stated that there is some uncertainty regarding the legality of conducting

VIII. Discussion on Cortex Governance Report (continued)

disability hearings in closed sessions, and that the Attorney General Opinion that allows this may not be applicable in all cases. The code requires the Board to hear disability matters and Board meetings are subject to the Brown Act, so it would appear to be an exception to HIPPA. She stated anything stated in open session is public record and can be on the Minutes; however, the supporting documentation is not considered public record.

Mr. Hintz stated that a Disability Hearing is analogous to a trial wherein the parties waive their right to privacy.

Mr. Vandolder stated that the issues of internal reporting and governance should be reviewed once a year.

IX. Board Member Comment and Reaction

The Board Members stated their satisfaction with the retreat.

Mr. Vandolder stated he would provide the Board with the action items from the Retreat at the October 17, 2011 Business Meeting.

X. Adjournment

Mr. Wilson adjourned the Retreat at 4:45 p.m.

Respectfully submitted,

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HENRY C. SOLIS, Interim Retirement Administrator

Approved,

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TRACY TOWNER, Chairman