

# VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

## BOARD OF RETIREMENT

### BUSINESS MEETING

November 17, 2014

### MINUTES

**DIRECTORS** Tracy Towner, Chair, Safety Employee Member  
**PRESENT:** William W. Wilson, Vice Chair, Public Member  
Steven Hintz, Treasurer-Tax Collector  
Mike Sedell, Public Member  
Peter C. Foy, Public Member  
Deanna McCormick, General Employee Member  
Arthur E. Goulet, Retiree Member  
Chris Johnston, Alternate Employee Member  
Will Hoag, Alternate Retiree Member

**DIRECTORS** Joseph Henderson, Public Member  
**ABSENT:** Vacant, General Employee Member

**STAFF** Tim Thonis, Interim Retirement Administrator  
**PRESENT:** Henry Solis, Chief Financial Officer  
Lori Nemiroff, Assistant County Counsel  
Stephanie Caiazza, Program Assistant  
Chantell Garcia, Retirement Benefits Specialist

**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 Tracy Towner called the Business Meeting of November 17, 2014, to order at 9:01 a.m.

**II. APPROVAL OF AGENDA**

MOTION: Approve the Agenda.

Moved by Hintz, seconded by McCormick.

Vote: Motion carried.

Yes: Goulet, Hintz, McCormick, Foy, Sedell, Johnston, Wilson, Towner

No: -

Absent: Henderson

**III. APPROVAL OF MINUTES**

A. Special Meeting of October 29, 2014.

MOTION: Approve the Minutes.

Moved by Hintz, seconded by Johnston.

Vote: Motion carried.

Yes: Goulet, Hintz, McCormick, Foy, Sedell, Johnston, Wilson, Towner

No: -

Absent: Henderson

B. Disability Meeting of November 3, 2014.

MOTION: Approve the Minutes.

Moved by McCormick, seconded by Goulet.

Vote: Motion carried.

Yes: Goulet, Hintz, McCormick, Foy, Sedell, Johnston, Wilson, Towner

No: -

Absent: Henderson

**IV. CONSENT AGENDA**

A. Approve Regular and Deferred Retirements and Survivors Continuances for the Month of October 2014.

B. Receive and File Report of Checks Disbursed in October 2014.

C. Receive and File Statement of Reserves for FY 2013-14 Month Ending June 30, 2014.

- D. Receive and File Budget Summary for FY 2014-15 Month Ending August 31, 2014.
- E. Receive and File Budget Summary for FY 2014-15 Month Ending September 30, 2014.
- F. Receive and File Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, and Investments & Cash Equivalents for Month Ending August 31, 2014.

MOTION: Approve the Consent Agenda.

Moved by Wilson, seconded by Johnston.

Vote: Motion carried.

Yes: Goulet, Hintz, McCormick, Foy, Sedell, Johnston, Wilson, Towner

No: -

Absent: Henderson

**END OF CONSENT AGENDA**

**V. STANDING ITEM**

- A. Receive an Oral Update on Pensionable Compensation and PEPRA.

Ms. Nemiroff stated that there was nothing new to report on Pensionable Compensation and PEPRA at this time.

**VI. INVESTMENT INFORMATION**

- A. NEPC – Don Stracke, Senior Consultant.
  - 1. Consideration of an Additional Private Equity Commitment to the Pantheon Global Secondary Fund V.

NEPC recommended a \$50 million commitment to the Pantheon Global Secondary Fund V.

MOTION: Table this item until after Item VI.A.2.

Moved by Sedell, seconded by Wilson.

Vote: Motion carried.

Yes: Goulet, Hintz, McCormick, Foy, Sedell, Johnston, Wilson, Towner

No: -

Absent: Henderson

Following the presentation by Pantheon and discussion between the Board and Mr. Stracke, the following motion was made:

MOTION: Commit \$50 million to the Pantheon Global Secondary Fund V.

Moved by Wilson, seconded by Johnston.

Vote: Motion carried.

Yes: Goulet, Hintz, McCormick, Foy, Sedell, Johnston, Wilson, Towner

No: -

Absent: Henderson

2. Pantheon Presentation of Global Secondary Fund V., Matt Garfinkle, Partner, Matthew Jones, Partner, and Sprague Von Stroh, Vice President.

MOTION: Receive and file.

Moved by Goulet, seconded by Sedell.

Vote: Motion carried.

Yes: Goulet, Hintz, McCormick, Foy, Sedell, Johnston, Wilson, Towner

No: -

Absent: Henderson

3. Memorandum from NEPC on PIMCO, dated November 17, 2014.

MOTION: Receive and file.

Moved by Hintz, seconded by Wilson.

Vote: Motion carried.

Yes: Goulet, Hintz, McCormick, Foy, Sedell, Johnston, Wilson, Towner

No: -

Absent: Henderson

4. PIMCO Organizational Update and Strategy Review, David J. Blair, Senior Vice President, Thomas J. Otterbein, Account Manager, and Sasha Talcott, Vice President.

Mr. Foy left the meeting at 9:54 a.m.

Mr. Sedell left the meeting at 10:07 a.m.

MOTION: Receive and file.

Moved by McCormick, seconded by Hintz.

Vote: Motion carried.

Yes: Goulet, Hintz, McCormick, Johnston, Wilson, Towner

No: -

Absent: Henderson, Sedell, Foy

5. Asset Allocation Update/Workplan Discussion.

Mr. Sedell reentered the meeting at 10:15 a.m.

MOTION: Request that NEPC return with additional information regarding Global Tactical Asset Allocation and credit strategies.

Moved by Goulet, seconded by Wilson.

Vote: Motion carried.

Yes: Goulet, Hintz, McCormick, Sedell, Johnston, Wilson, Towner

No: -

Absent: Henderson, Foy

6. Receive and File Investment Summary – Quarter Ending September 30, 2014.

MOTION: Receive and file.

Moved by Wilson, seconded by McCormick.

Vote: Motion carried.

Yes: Goulet, Hintz, McCormick, Sedell, Johnston, Wilson, Towner

No: -

Absent: Henderson, Foy

7. Receive and File Preliminary Performance Report Month Ending October 31, 2014.

MOTION: Receive and file.

Moved by Wilson, seconded by McCormick.

Vote: Motion carried.

Yes: Goulet, Hintz, McCormick, Sedell, Johnston, Wilson, Towner

No: -

Absent: Henderson, Foy

8. Proposed 2015 Due Diligence Calendar.

Mr. Foy reentered the meeting at 10:45 a.m.

MOTION: Approve.

Moved by Wilson, seconded by Johnston.

Vote: Motion carried.

Yes: Goulet, Hintz, McCormick, Foy, Sedell, Johnston, Wilson, Towner

No: -

Absent: Henderson

**VII. Ventura County Employees' Retirement Information System (VCERIS)  
Pension Administration Project**

- A. Memorandum of Understanding with Auditor/Controller.

Ms. Nemiroff noted that the effective date of the document was changed to November 17, 2014, to allow more flexibility for modifications before it is ratified. The signature line of the document was revised to require a signature from the Board of Supervisors, at the County's request. Ms. Nemiroff recommended that, if the Memorandum of Understanding is approved, the Chair should be granted authority to make any non-material changes to the document without returning to the Board for authorization.

Jeff Burgh, Auditor/Controller, was present to discuss this item. Mr. Burgh provided a draft "Scope of Work" for the Board's review, and the Board and Mr. Burgh discussed whether changes needed to be made to the Memorandum of Understanding before it could be approved. The following motion was made:

MOTION: Postpone voting on this matter until a future meeting, with the understanding that work to develop accurate compensation earnable information will continue.

Moved by Hintz, seconded by Foy.

Vote: Motion carried.

Yes: Goulet, Hintz, Foy, Sedell, Wilson, Towner

No: McCormick, Johnston

Absent: Henderson

- B. VCERIS Project Quarterly Status Report.

Brian Colker was present on behalf of Linea Solutions, Inc. to provide an update on the VCERIS project.

Mr. Colker informed the Board that roughly 2/3 of the system has been designed, developed, and tested, leaving an estimated 5-6 months of development work for the remaining processes. Mr. Colker reported that the mapping and programming activities for data conversion are complete, and data cleanup has not uncovered any major issues. Once the dates are solidified in the Memorandum of Understanding, Linea and Vitech will update their project plan and produce change orders to be considered by the Board at a future meeting. Mr. Colker noted that the change order numbers listed on the status report reflect the numbering of the Vitech change orders, rather than that of VCERA.

MOTION: Receive and file.

Moved by Hintz, seconded by McCormick.

Vote: Motion carried.

Yes: Goulet, Hintz, McCormick, Foy, Sedell, Johnston, Wilson, Towner

No: -

Absent: Henderson

C. Monthly Report – October 2014.

MOTION: Receive and file.

Moved by Sedell, seconded by Hintz.

Vote: Motion carried.

Yes: Goulet, Hintz, McCormick, Foy, Sedell, Johnston, Wilson, Towner

No: -

Absent: Henderson

**VIII. OLD BUSINESS**

A. PEPRRA Compensation Resolution – Ashley Dunning.

1. Letter from Manatt, Phelps, & Phillips, dated November 10, 2014.

2. Draft Resolution.

Ms. Dunning provided a summary of her analysis regarding the definition and determination of pensionable compensation under PEPRRA, and concluded that the Board of Retirement has the authority to determine the definition of pensionable compensation, within the law. Ms. Dunning provided a draft resolution for the Board's review and approval, including a list of requirements and alternative interpretations of normal monthly rate of pay or base pay.

Received public comment from Joe Karahman, SEIU Local #721; Ramon Rubalcava, SEIU Local #721, and Paul Derse, County Executive Office, County of Ventura.

The Board considered the following interpretations of Government Code section 7522.34 subdivision (A) definitions as permitting pay items to be included in Pensionable Compensation if they are:

- (i) Within the normal monthly rate of pay only.
- (ii) Within the base pay only.
- (iii) Within either the normal monthly rate of pay or the base pay of the member.

After discussion by the Board, the following motions were made:

MOTION: Adopt interpretation (ii) of Government Code section 7522.34 subdivision (a) definition as permitting pay items to be included in Pensionable Compensation if they are within the base pay only.

Moved by Wilson, seconded by Foy.

Vote: Motion failed.  
Yes: Foy, Sedell, Wilson  
No: Johnston, Goulet, Hintz, McCormick, Towner  
Absent: Henderson

MOTION: Adopt interpretation (i) of Government Code section 7522.34 subdivision (a) definition as permitting pay items to be included in Pensionable Compensation if they are within the normal monthly rate of pay only.

Moved by Goulet, seconded by McCormick.

Vote: Motion failed.  
Yes: Goulet  
No: Hintz, McCormick, Foy, Sedell, Johnston, Wilson, Towner  
Absent: Henderson

MOTION: Adopt interpretation (iii) of Government Code section 7522.34 subdivision (a) definition as permitting pay items to be included in Pensionable Compensation if they are within either the normal monthly rate of pay or the base pay of the member.



Moved by Johnston, seconded by McCormick.

Vote: Motion carried.

Yes: Goulet, Hintz, McCormick, Sedell, Johnston, Towner

No: Foy, Wilson

Absent: Henderson

MOTION: Adopt the language of the draft Resolution on page 3 in numbered paragraph 2.(c); remove the words "or executive staff" from the paragraph. Moved by Wilson, seconded by Hintz.

Vote: Motion carried.

Yes: Goulet, Hintz, McCormick, Foy, Sedell, Johnston, Wilson, Towner

No: -

Absent: Henderson

Ms. Dunning agreed to make non-material or grammatical changes to the paragraph as needed.

Mr. Hintz left the meeting at 12:40 p.m.

MOTION: Adopt the language on p.5 of the draft Resolution in paragraph 4(h)(i), modified to define a labor policy or agreement as any of the following: Memorandum of Agreement; a Management, Confidential Clerical and Other Unrepresented Employees Resolution; or other similar document as specifically approved by the VCERA Board of Retirement.

Moved by McCormick, seconded by Goulet.

Vote: Motion carried.

Yes: Goulet, McCormick, Foy, Sedell, Johnston, Wilson, Towner

No: -

Absent: Henderson, Hintz

MOTION: Adopt the language on p.5 of the draft Resolution in paragraph 4(h)(ii), modified to remove the word "not" from the following sentence: "Identifying a percentage increase in salary, in lieu of a dollar amount, in a labor policy or agreement does [not] comply with this interpretation of a "pay schedule".

Moved by McCormick, seconded by Goulet.

Vote: Motion carried.

Yes: Goulet, McCormick, Foy, Sedell, Johnston, Wilson, Towner  
No: -  
Absent: Henderson, Hintz

Ms. Dunning recommended that the Board adopt the language on page 5 of the resolution in paragraph 5, and modify the end of the following sentence: "VCERA Staff will analyze pay codes to determine whether they constitute Pensionable Compensation or not, under this Resolution" to include the phrase "and will bring such determinations to the VCERA Board for action."

Mr. Sedell requested clarification regarding the proposed pay code review process by VCERA staff and the Board's authority to make the final determination of which pay codes meet the criteria.

Ms. Dunning explained that, if this language is adopted, the process will be for staff to review the employer pay codes, identify which pay codes meet the criteria outlined in the resolution, and seek Board approval of such determinations. Ms. Dunning confirmed that the VCERA Board will have discretion to exclude any items that it determines do not meet the criteria, regardless of VCERA staff's determination and recommendation to the Board.

MOTION: Adopt the language on p.5 of the draft Resolution in paragraph 5, and modify the end of the following sentence: "VCERA Staff will analyze pay codes to determine whether they constitute Pensionable Compensation or not, under this Resolution" to include the phrase "and will bring such determinations to the VCERA Board for action".

Moved by McCormick, seconded by Johnston.

Vote: Motion carried.  
Yes: Goulet, McCormick, Foy, Sedell, Johnston, Wilson, Towner  
No: -  
Absent: Henderson, Hintz

Chair Towner, with the consensus of the Board, further directed Ms. Dunning to replace "VCERA staff" with "VCERA's Retirement Administrator" throughout the draft Resolution.

- B. Consideration of Available Options Pursuant to Step #7 of VCERA's Interest Crediting Policy.
  - 1. Letter from Staff.
  - 2. Statement of Reserves for FY 2013-14 Month Ending June 30, 2014.

3. Interest Crediting Policy.

MOTION: Leave \$2.7 million of remaining available earnings in the Undistributed Earnings Reserve as a contingency against future deficiencies in interest earnings.

Moved by Wilson, seconded by Sedell.

Vote: Motion carried.

Yes: McCormick, Foy, Sedell, Johnston, Wilson, Towner

No: Goulet

Absent: Henderson, Hintz

**IX. NEW BUSINESS**

A. Decision on Whether to File Amicus Brief in SDCERA v. County of San Diego.

1. Copy of Complaint for Declaratory Relief.

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

MOTION: Postpone this item until the December 1, 2014 disability meeting.

Moved by Goulet, seconded by Foy.

Vote: Motion carried.

Yes: Goulet, McCormick, Foy, Sedell, Johnston, Wilson, Towner

No: -

Absent: Henderson, Hintz

Mr. Johnston left the meeting at 1:03 p.m.

B. Proposed 2015 Board Calendar.

MOTION: Approve.

Moved by Goulet, seconded by Foy.

Vote: Motion carried.

Yes: Goulet, McCormick, Foy, Sedell, Wilson, Towner

No: -

Absent: Henderson, Hintz, Johnston

C. Trustee Reports, Deanna McCormick, General Employee Member.

1. PIMCO Due Diligence Report.
2. PIMCO Conference Report.

MOTION: Receive and file.

Moved by Goulet, seconded by Sedell.

Vote: Motion carried.

Yes: Goulet, McCormick, Foy, Sedell, Wilson, Towner

No: -

Absent: Henderson, Hintz, Johnston

Mr. Johnston returned to the meeting at 1:04 p.m.

**X. INFORMATIONAL**

- A. Invitation to GMO Asset Allocation Discussion, November 20, 2014, Los Angeles.
- B. Loomis Sayles Correspondence – Portfolio Manager Update.
- C. Save the Date: Pension Bridge Conference; April 7 – 8, 2015.

**XI. PUBLIC COMMENT**

None.

**XII. STAFF COMMENT**

None.

**XIII. BOARD MEMBER COMMENT**

None.

**XII. STAFF COMMENT**

None.

**XIII. BOARD MEMBER COMMENT**

None.

**XIV. ADJOURNMENT**

The meeting was adjourned at 1:05 p.m.

Respectfully submitted,



TIM THONIS, Interim Retirement Administrator

Approved,

  
TRACY TOWNER, Chairman