

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

November 2, 2015

AGENDA

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

TIME: 9:00 a.m.

Members of the public may comment on any item under the Board's jurisdiction by filling out a speaker form and presenting it to the Clerk. Unless otherwise directed by the Chair, comments related to items on the agenda will be heard when the Board considers that item. Comments related to items not on the agenda will generally be heard at the time designated for Public Comment.

ITEM:

- | | | |
|------|--|--------------------|
| I. | <u>CALL TO ORDER</u> | Master
Page No. |
| II. | <u>APPROVAL OF AGENDA</u> | 1 – 3 |
| III. | <u>RECEIVE AND FILE PENDING DISABILITY APPLICATION
STATUS REPORT</u> | 4 – 34 |
| IV. | <u>APPLICATIONS FOR DISABILITY RETIREMENT</u> | |
| | A. Application for Non-Service Connected Disability Retirement,
Nancy Bevans; Case No. 14-018 | 35 – 166 |
| | 1. Application for Service Connected Disability Retirement and
Supporting Documentation. | |
| | 2. Hearing Notice served on October 21, 2015. | |
| | B. Application for Service Connected Disability Retirement, Timothy
Waite; Case No. 13-022. | 167 – 195 |

IV. **APPLICATIONS FOR DISABILITY RETIREMENT (continued)**

- B. 1. Request from David G. Schumaker, Attorney at Law, dated October 22, 2015.
- 2. Response from Carol A. Kempner, Attorney at Law, dated October 23, 2015.
- 3. Hearing Notice served on October 21, 2015.

V. **OLD BUSINESS**

- A. Authorization for Retirement Administrator to Issue Payment to Conclude Original Hanson Bridgett Engagement

- 1. Staff Letter 196

VI. **NEW BUSINESS**

- A. SACRS Dental Plan for Retirees

- 1. Staff Letter 197
- 2. Group Application 199

- B. VCERA Monument Sign Allocation

- 1. Staff Letter 200
- 2. M.F. Daily Sign Proof 201 – 202

- C. Ventura County Employees' Retirement Information System (VCERIS) Pension Administration Project

- 1. VCERIS Project Quarterly Status Update 203 – 205
RECOMMENDED ACTION: Receive and file.

- 2. Cost-Neutral Change Order for MBS
RECOMMENDED ACTION: Approve.

- a. Staff Letter 206

- b. MBS Change Order #3 207 – 208

- D. Recommendation to Approve Trustee McCormick's Attendance at 209 – 211
2015 CORPaTH Summit and Crystal Globe Awards, December
15-16, 2015, Las Vegas, NV

VI. **NEW BUSINESS (continued)**

- E. Quarterly Administrator Report for 3rd Quarter, 2015. 212 – 214
RECOMMENDED ACTION: Receive and file.
- F. Due Diligence Report, Dan Gallagher, Chief Investment Officer 215 – 222
RECOMMENDED ACTION: Receive and file.
- G. Consideration and Possible Approval of Merit Increase for Dan Gallagher, Chief Investment Officer
This item to be considered following "VII. Closed Session"

VII. **CLOSED SESSION**

- A. PUBLIC EMPLOYEE PERFORMANCE EVALUATION
Title: Chief Investment Officer
(Government Code section 54957(b)(1))

VIII. **PUBLIC COMMENT**

IX. **STAFF COMMENT**

X. **BOARD MEMBER COMMENT**

XI. **ADJOURNMENT**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
<http://www.ventura.org/vcera>

November 2, 2015

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

**SUBJECT: AUTHORIZE RETIREMENT ADMINISTRATOR TO ISSUE PAYMENT TO
CONCLUDE ORIGINAL ENGAGEMENT**

Dear Board Members:

At the October 19th business meeting, the Board authorized for the Retirement Administrator to engage Hanson Bridgett, LLP for tax-related legal services and assistance in IRS qualification filing for an amount not to exceed \$25,000 with an additional \$25,000 authorized only if a Voluntary Compliance Program (VCP) filing was required.

However, the other recommendation from staff was not addressed at that meeting, which was to authorize payment for the amount of \$2,953.20 for work with staff on the pension administration system programming associated with implementation of the IRS model regulations to be adopted by the board.

Since October 19th, staff and Counsel learned that VCERA may track 401(a)17 limits on a calendar year basis, consistent with the tracking of PEPRA limits/caps, which will assist the Auditor-Controller's office in their programming efforts on the payroll interface for the VCERIS project. However, this will require a modification to the corresponding IRS model regulation staff is bringing to the Board, and Hanson Bridgett's services will be needed for that modification. Therefore, staff would like the above-requested authorization to increase to \$5,000 to allow for this addition.

**RECOMMENDATION: AUTHORIZE RETIREMENT ADMINISTRATOR TO ISSUE PAYMENT
FOR UP TO \$5,000 IN EXCESS OF THE 2010 HANSON BRIDGETT AGREEMENT.**

Sincerely,



Linda Webb
Retirement Administrator

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November 2, 2015

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: SACRS DENTAL PLAN FOR RETIREES

Dear Board Members:

In 2012, AB 2664 was enacted to add Article 8.11 to CERL, providing for a County Retirement System Dental Care Program ("Dental Care Program"). The Dental Care Program is much like the Vision Care Program that was enacted in 2007. Pursuant to a request in March of 2010 by the Retired Employees Association of Ventura County (REAVC), the Board took action to permit VCERA retired members, and their beneficiaries and dependents, to enroll in the SACRS Vision Care Plan.

The legislation for the Dental Care Program became effective January 1, 2013, and pursuant to this authority, SACRS has contracted with CIGNA to provide group insurance for dental care for county retirement system retirees and beneficiaries. Based on initial interest expressed by a few systems, including VCERA, SACRS has asked that each of these systems complete a group insurance application, provide retiree member information, and execute a non-disclosure agreement to enable eligible VCERA retiree members, beneficiaries and dependents to enroll in the dental care plan. VCERA, along with the Tulare County Employees' Retirement Association and the Fresno County Employees' Retirement System, are scheduled to have retired members enroll in the Dental Care Program this week, with coverage beginning January 1, 2016. Other systems are scheduled to permit their retired members to enroll in April of 2016, with coverage beginning June 1, 2016.

The requested action is authorized by Government Code section 31699.24, which permits a retirement board to contract with a third-party administrator to provide dental care to the retired member, survivors and eligible dependents.

Recommendations:

- 1. Authorize the Retirement Administrator to execute the Application for group insurance and related documents, subject to Counsel review and approval, and provide to SACRS the information necessary to allow VCERA retirees to enroll in the County Retirement System Dental Care Program, pursuant to Article 8.11 of CERL and;**
- 2. Authorize staff to give effect to written authorizations by retired members or beneficiaries to deduct from retirement allowances the premium on the group insurance offered through the County Retirement System Dental Care Program, pursuant to Government Code section 31452.5.**

November 2, 2015

Page 2 of 2

Sincerely,

A handwritten signature in cursive script, appearing to read "Linda Webb".

Linda Webb
Retirement Administrator

1. Name of Applicant/Retirement System		2. Main Address																																																	
3. Nature of Business County employees' public pension administration																																																			
4. Classes and Locations of Individuals Eligible NA		5. Subsidiary and Affiliated Companies Included NA																																																	
6. Total Number of Individuals Eligible		For Individual Benefits																																																	
		For Dependent Benefits																																																	
Have any of the classes of individuals eligible been covered under a group insurance policy or any other form of group plan within the past five years? <input type="checkbox"/> Yes <input type="checkbox"/> No <i>If so, please specify the benefits, the underwriting company or organization, and the dates these benefits were terminated.</i> (list the county plan here if your retirees received benefits while employed by county)																																																			
7. Group Insurance Applied For: <i>(Please check all that apply)</i> <table style="width: 100%; border: none;"> <thead> <tr> <th style="text-align: left; padding: 5px;">Individual</th> <th style="text-align: left; padding: 5px;">Dependent</th> <th style="text-align: left; padding: 5px;"></th> <th style="text-align: left; padding: 5px;">Individual</th> <th style="text-align: left; padding: 5px;">Dependent</th> <th style="text-align: left; padding: 5px;"></th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;">Life Insurance</td> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;">Doctors Attendance Benefits</td> </tr> <tr> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;">Accidental Death & Dismemberment Insurance</td> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;">Laboratory and X-ray Examination Benefits</td> </tr> <tr> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;">Short Term Disability Insurance</td> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;">Major Medical Benefits</td> </tr> <tr> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;">Long Term Disability Insurance</td> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;">Comprehensive Medical Benefits</td> </tr> <tr> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;">Hospital Benefits</td> <td style="padding: 5px;"><input checked="" type="checkbox"/></td> <td style="padding: 5px;"><input checked="" type="checkbox"/></td> <td style="padding: 5px;">Dental Benefits</td> </tr> <tr> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;">Surgical Benefits</td> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;">Vision Care Benefits</td> </tr> <tr> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;"><input type="checkbox"/></td> <td style="padding: 5px;"></td> <td style="padding: 5px;"></td> <td style="padding: 5px;"></td> <td style="padding: 5px;"></td> </tr> </tbody> </table>				Individual	Dependent		Individual	Dependent		<input type="checkbox"/>	<input type="checkbox"/>	Life Insurance	<input type="checkbox"/>	<input type="checkbox"/>	Doctors Attendance Benefits	<input type="checkbox"/>	<input type="checkbox"/>	Accidental Death & Dismemberment Insurance	<input type="checkbox"/>	<input type="checkbox"/>	Laboratory and X-ray Examination Benefits	<input type="checkbox"/>	<input type="checkbox"/>	Short Term Disability Insurance	<input type="checkbox"/>	<input type="checkbox"/>	Major Medical Benefits	<input type="checkbox"/>	<input type="checkbox"/>	Long Term Disability Insurance	<input type="checkbox"/>	<input type="checkbox"/>	Comprehensive Medical Benefits	<input type="checkbox"/>	<input type="checkbox"/>	Hospital Benefits	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Dental Benefits	<input type="checkbox"/>	<input type="checkbox"/>	Surgical Benefits	<input type="checkbox"/>	<input type="checkbox"/>	Vision Care Benefits	<input type="checkbox"/>	<input type="checkbox"/>				
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8. Effective Date Requested: <u>January 1, 2016</u> Group insurance at the insurance Company's rates and under the terms of the policy(s) applied for will take effect on the Effective Date Requested if the Application is accepted at the Home Office of the Insurance Company. If certain persons eligible are to contribute to the cost of the Group Insurance, such Group Insurance will take effect on the later of: the date the required number have enrolled, or on the Effective Date Requested. If this Application is not accepted, no insurance will become effective. Any premium advanced by the Applicant will be refunded upon surrender of this Conditional Receipt.																																																			
9. THE APPLICANT DECLARES: that he has read the above statement and the answers to the above questions are complete and true. The Applicant agrees: (1) that this Application is offered as an inducement for the Group Insurance applied for; (2) that the terms and conditions of the Insurance Company's Proposal for the Group Insurance applied forms a part of this Application and that this Application will form a part of any policy(s) issued; (3) that only the information on this Application will bind the Insurance Company; and (4) that no waiver or change will bind the Insurance Company unless signed by an Executive Officer of the Insurance company. Group Insurance will only be provided for persons eligible under the policy(s) issued.																																																			
Dated at _____ on _____ Name of Applicant _____ By _____ Title _____ Cigna Name: _____ Title _____ Date _____																																																			
Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.																																																			

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November 2, 2015

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: VCERA MONUMENT SIGN ALLOCATION

Dear Board Members:

Recently, VCERA staff was approached by our landlord, M.F. Daily Corporation to inquire whether we would like to be allocated sign space. Because the previous primary building tenant Coldwell Banker has moved out, M.F. Daily is preparing for installation of a new sign at the entrance with the various tenants listed.

M.F. Daily sent the provided proof document to help illustrate how the sign would be allocated if VCERA were to opt to participate. They note that the sign would be actually larger than it appears, the section for VCERA would measure 5 feet by 1 foot. The cost to VCERA would be \$2500 for this allocation.

Staff is providing this information to the Board to allow for the opportunity, but has no specific recommendation and will proceed as the Board directs.

Sincerely,



Linda Webb
Retirement Administrator

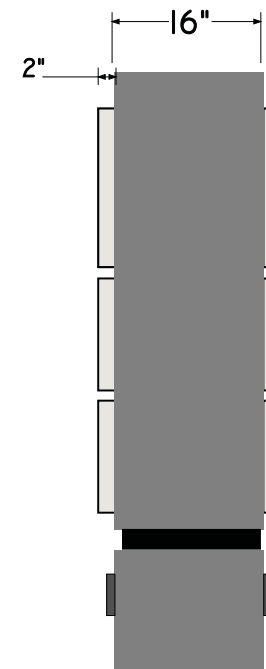


EXISTING



PROOF





EXISTING BASE PAINTED

A REPLACE TOP PORTION OF MONUMENT SIGN WITH NEW ONE
NOT TO SCALE

[1] REQUIRED MANUFACTURE AND INSTALL

GENERAL SPECIFICATIONS

48" X 120" X 16" DEEP APROX. CONSTRUCTED ALUMINUM CAN PAINTED TO MATCH COLOR (TBD)

[6] 12" X 114" X 2" DEEP INDIVIDUAL TENANT PANELS WITH ROUTED OUT TENANT AND BACKED WITH ACRYLIC.

COPY: 1190 VICTORIA AVENUE

1/2" FCO BLACK ACRYLIC MOUNTED FLUSH TO MONUMENT SIGN

MOUNT NEW MONUMENT INTO EXISTING BASE



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November 2, 2015

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: VENTURA COUNTY EMPLOYEES' RETIREMENT INFORMATION SYSTEM (VCERIS) PROJECT QUARTERLY REPORT FOR 3rd QUARTER, 2015

Dear Board Members:

Attached is the Ventura County Employees' Retirement Information System ("VCERIS") project Quarterly Report (Attachment A).

Project Status

As detailed in the VCERIS Quarterly Report, as of 9/30/2015, the effort to implement the system, excluding member web, was approximately 85.20% complete. The project is on track for the April 2016 go-live for rollout #1.

The major testing of the Auditor-Controller payroll interfaces files has concluded, and the VCERA team determined on 09/25/2015 that the file is of sufficient quality to meet the requirements for go-live. Ongoing testing will continue through go-live to analyze and resolve the remaining issues, which are deemed to be non-critical.

VRSD remains in the file testing process. The VRSD submitted test files in mid-October and the VCERA team is analyzing these files. It is not yet known if VRSD will be able to use a fully automated solution for producing these files in production. However, VRSD remains committed to providing the payroll interface file in the correct format for go-live, even if this process is not automated.

The design of the system is now completed. The development of the system will continue until 11/20/2015, which represents a system "freeze" date, meaning that development will cease on this date. All required functionality for rollout #1 will be delivered by this date. Vitech will continue remediating existing and newly discovered defects, however, through go-live. The system "freeze" is necessary to ensure that the system is stabilized prior to User acceptance testing (UAT).

PENSION ADMINISTRATION SYSTEM (PAS) PROJECT UPDATE

November 2nd, 2015

Page 2 of 3

The project team continues to test the software delivered by Vitech, and that testing will continue through the end of 2015, prior to UAT. The Vitech testing team has not uncovered critical system failure (Severity 1) defects that they believe would delay UAT. VCERA may delay the entry into either UAT or the cut-over to production if the project team is not satisfied that the system is ready due to the number of open defects. Based on the current open defects, VCERA does not anticipate delaying either UAT or the cut-over to production. In regard to all defects that have been reported by the end of the warranty period, Vitech continues to stress their commitment to their resolution.

The data conversion activities are also continuing, but are nearing their conclusion. MBS, the data conversion vendor, will request a no-cost change order to utilize their remaining contract funds (approximately \$29,000) to complete the conversion. These funds had been previously categorized as projected travel expenses, but MBS has been able to find efficiencies in working off-site. They are therefore requesting, and staff is recommending, that these funds be allocated as additional hours needed to complete the conversion. The hours are needed to do design changes that have had an impact on the data mapping in areas such as the benefit accounts, COLA, service purchase distribution, and reciprocity.

Data Conversion Update

In July of 2013, the Board approved a change order to approve funds for staff to collect updated beneficiary information. The intent of this year-long project was to have this information updated in V3 once the system was live. To date, information on approximately 6,000 beneficiaries has been submitted to VCERA. This information has been hand-keyed by staff into an Excel workbook.

Due to an oversight, however, Linea and Vitech did not account for the import of this data as part of the data conversion timeline or budget. At present, Vitech believes there is insufficient time remaining to import the data for rollout #1 (Nov. 20) without taking on some risk, and thus recommends that the data to be imported as part of rollout #2, by August 2016. As a result, for benefit calculations done between April and August of 2016, staff will need to hand-key beneficiary data into V3. MBS and Vitech will perform the conversion of this data. MBS will require a change order in the next fiscal year for this work, currently estimated at \$10,000. Vitech has agreed to perform their role in this conversion at no cost.

As shown in the attached quarterly report, the project's budget remains at \$11.18 million. There were no change orders in the third quarter, and no change orders are anticipated for the current quarter, apart from the cost-neutral one submitted today.

RECOMMENDATION: RECEIVE AND FILE ATTACHMENT A – VCERIS QUARTERLY REPORT FOR JULY - SEPTEMBER 2015.

PENSION ADMINISTRATION SYSTEM (PAS) PROJECT UPDATE

November 2nd, 2015

Page 3 of 3

We would be pleased to respond to any questions during the Board meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Webb".

LINDA WEBB
Retirement Administrator
Attachments (1)

A handwritten signature in blue ink, appearing to read "Brian Colker".

BRIAN COLKER
Linea Solutions, Inc.

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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November 2, 2015

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: MBS CHANGE ORDER #3

Dear Board Members:

Provided is a proposed change order from the project team related to Managed Business Solutions, Inc. (MBS).

Background

Since MBS Change Order #2 was approved by the Board in January, the data conversion efforts have proceeded in accordance with the project timeline. Change Order #2 provided for additional hours related to the project timeline extension and the additional conversion cycles to be added to the overall plan.

In recent weeks, MBS encountered unanticipated issues with RDBS data, resulting in the need for additional hours. MBS indicates that because they manage the contract to the overall "not to exceed" amount, they continued to perform the conversion work while pursuing increasingly efficient remote off-site work processes to decrease travel costs. MBS believed this would allow them to complete the work without requesting additional unbudgeted funds from VCERA.

Because the change order requests a shift of funds from the travel cost sub-category to the data conversion hours category in an amount in excess of \$25,000 (the maximum authorization amount allowed by the Retirement Administrator), this requested change order is being brought to the Board for approval.

Brian Colker from Linea Solutions will be present at the November 2nd meeting to answer questions related to this request, and the events precipitating it.

Sincerely,



Linda Webb
Retirement Administrator

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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DATE: November 2, 2015

SUBJECT: Change Order to VCERA – Managed Business Solutions, Inc., VCERA Change Order #3

BACKGROUND

This Change Order authorizes the re-allocation of project funds from travel to labor hours. This is based on the project need for more project hours related to data conversion, and a decrease in need for travel costs. MBS has been able to conduct remote off-site work with the project team, thereby allowing for more flexibility to address data conversion script changes throughout the project rather than having staff on-site. There is no change in the overall project cost; this is a reallocation of costs from travel to data conversion under the existing not-to-exceed amount.

COST AND EFFORT

The services to be provided under this change order shall be delivered on a time and materials basis at the same rates provided for in the MBS - VCERA agreement dated September 10, 2012, and shall not exceed the changes to the maximum amounts set forth in the table below.

The table below provides the changes to the cost components and the not-to-exceed price.

<u>Cost Component</u>	<u>Change in Max Hours</u>	<u>Change in Max Cost</u>
Travel	N/A	(\$28,850)
Data conversion lead / project manager	40	\$4,400
Data Conversion technical consultant	326	\$24,450
TOTAL	366	\$0

This Change Order is made pursuant to and subject to the terms of the Master Services Agreement and the VCERA Pension Administration System (PAS) Data Conversion Statement of work between Managed Business Solutions, Inc. ("MBS" or "Vendor") and VCERA (the "Agreement") dated September 10, 2012. This Change Order constitutes an addendum to the Agreement and except as expressly amended by this Change Order, all of the terms, conditions and provisions of the Agreement remain unchanged and shall remain in full force and effect.

MBS CHANGE ORDER #3

November 2, 2015

Page 2 of 2

IN WITNESS WHEREOF, the parties hereto have caused this Change Order to be executed by their duly authorized representatives as of the Change Order Effective Date.

TRACY TOWNER

VCERA

Chairman of the Board

Change Order Effective Date: [_____]

Signature:

Date:

RICHARD MAINWARING

MBS, INC.

General Manager

Signature:

Date:

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November 2, 2015

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: AUTHORIZATION FOR TRUSTEE MCCORMICK TO ATTEND THE 2015 CORPaTH SUMMIT, DECEMBER 15-16, 2015 IN LAS VEGAS, NV

Dear Board Members:

Trustee McCormick requests authorization to attend the CORPaTH Summit in Las Vegas, NV, December 15-16, 2015. The cost to attend is approximately \$1,200, including registration, airfare, lodging and other related expenses.

The 2014 speaker lineup is provided for information, as the 2015 agenda is not yet available. In the event the Board wishes to approve this travel request, staff recommends that such approval be made subject to receipt of the conference agenda and confirmation of compliance with the Education and Travel Policy.

Sincerely,



Linda Webb
Retirement Administrator



Tentative Agenda (as of December 2, 2014)

A stimulating event featuring thought leaders from different disciplines discussing the complex global challenges of protecting, promoting and perpetuating defined-benefit pension plans.

All events will be in the Milano Ballroom, Caesars Palace Conference Center.

Tuesday, Dec. 16

4:30 pm **Registration**

5:00 pm **Introduction of Panel**
Randy DeFrehn, NCCMP

Economic Impact of Defined-Benefit Pensions

Michael Kahn Ph.D., Institute on Public Pension Solutions
Richard Sims, Sierra Institute for Applied Economics

Leadership and Engagement

Sean McGarvey, North America Building Trades Unions
Marc Perrone, UFCW International Union
Max Patterson, TexPERS

6:00-7:00 pm **Networking Reception**

Wednesday, Dec. 17

8:00 am **Registration and Breakfast**

9:00 am **General Session**

Technology & Communications

Jacques Loveall, UFCW Trust / UFCW 8-Golden State

Responsible Investing

Doug Cogan, MSCI/GMI
Darren Robbins, Robbins, Geller, Rudman & Dowd
Keith Mestrich, Amalgamated Bank

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Continues on next page

Wednesday, Dec. 17

Investment Guidelines and Responsibilities

Gregg Hymowitz, EnTrust Capital
Dan Pedrotty, American Federation of Teachers
Ed Smith, Ullico
Peter Palandjian, Intercontinental Real Estate
Tom Croft, Heartland Strategies

The State of Defined-Benefit Pensions

Moderator: *Jay Youngdahl, Harvard University*
John Marco, Marco Consulting Group
Jeff MacLean, Wurts & Associates
Asad Ali, Alan Biller & Associates
John Elliot, NEPC
Steve McCourt, Meketa Investment Group
Chris DeMeo, Nu Paradigm Investment Partners, LLC

Global Challenges and Proactive Response

David Blitzstein, Blitzstein Consulting, LLC
Larry Brown, NUPGE Canada

6:30-7:30 pm

Networking Reception

7:30 pm

Crystal Globe Awards Reception & Banquet

Welcome: *Rob McCord, Treasurer,*
Commonwealth of Pennsylvania

Master of Ceremonies: *Hank Kim, NCPERS*

Crystal Globe Award Recipients

Paul Kenny, GMB
Sean McGarvey, North America Building Trades Unions
Max Patterson, TexPERS
Marc Perrone, UFCW International Union



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November 2, 2015

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: QUARTERLY RETIREMENT ADMINISTRATOR'S REPORT

Dear Board Members:

In compliance with VCERA's Monitoring & Reporting Policy, this report will include information regarding travel, training, key meetings and media communications, as well as other key issues for July through September of 2015.

Perhaps the most prominent work during the 3rd quarter of 2015 was related to VCERA's final analysis of pay codes for pensionable compensation under PEPRA and the Board Resolution of November 2014. Our VCERA team put in a large number of hours working on our report, meeting with stakeholder, reviewing feedback and meeting with Counsel in preparation for the final recommendations.

Beginning with this report, I am listing the key meetings as an additional page for reference.

Travel & Training

I attended both the Nossaman Fiduciary Forum in San Francisco and CALAPRS Administrators' Roundtable in Carmel in late September. I found both to be very beneficial, particularly in the discussion of very recent legal developments that impact VCERA, as well as networking and discussing shared issues and concerns with my peers. At the Administrators' Institute, we had very practical sessions on administrative issues, and in working with our Boards in the most productive ways.

Board/Policy/Compliance

We made considerable progress on the steps, programming and form edits needed for adoption of the IRS Model Regulations, which staff plans to bring to the Board for adoption this quarter.

Staff entered an agreement with outside consultant and outside Counsel on the preparation for AB1291 implementation in January. After some initial discussion regarding timing and providing research documents and resources to them, the executive team stepped out of the discussions of substantive MOU provisions or benefit discussions, as members of the team are directly impacted by those issues. The consultant and Counsel are working directly with the Board Chair to avoid any conflict issues.

Media

I spoke to the Ventura County Star regarding the analysis of pay codes for the pensionable compensation report, explaining pay code distinctions for the most part.

Actuarial

The GASB 68 drafted report was finalized and issued by Segal and sent to the Board this quarter. Currently gathering actuarial audit samples for preparation of issuing a draft RFP for actuarial audit, with the assistance of Counsel.

Please let me know if you have any questions or concerns regarding the information provided in this report.

Sincerely,

A handwritten signature in cursive script, appearing to read "Linda Webb", written in dark ink.

Linda Webb
Retirement Administrator

Key Meetings

July

- 1st: I.T. Strategic planning meeting with COV I.T. leaders
- 10th - Linea
- 14th – Website Training and Discussion
- 14th – Linea I.T. Strategy Meeting
- 15th – Meeting with VRSD Re: VCERIS payroll transmittal requirements
- 16th – Powers/Carroll/Towner at HOA re: GC position
- 21st – Elections Division re: General member trustee election planning
- 22nd – Hanson Bridgett and staff re: IRS model regulations and system programming

August:

- 3rd – M. Miller from SPOAVC re: PEPRA pensionable compensation questions
- 12th – K. Shirk re: consulting services
- 24th – Brown Armstrong re: audit
- 17th – A. Dunning re: Board retreat governance presentation

September:

- 1st - Attended REAVC luncheon
- 8th – HCFVC re: potential retiree voluntary deduction
- 8th – A. Dunning re: PEPRA pensionable compensation analysis
- 9th – K. Shirk re: AB1291 impact
- 11th – Nossaman and staff re: PEPRA pensionable compensation analysis
- 18th – K. Shirk re: AB1291 impact
- 21st – Nossaman and staff re: PEPRA pensionable compensation analysis
- 23rd – County of Ventura: feedback and discussion re: pensionable compensation analysis
- 24th: (am) K. Shirk re: AB1291 impact
- 24th (pm) – 25th: Nossaman Fiduciary Forum, San Francisco
- 29th: Nossaman and staff re: PEPRA pensionable compensation analysis
- 30th (& Oct. 1) – CALAPRS Administrators' Institute, Carmel

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572

Dear Board Members:

On October 7th and 8th of 2015, VCERA trustees Will Hoag and Mike Sedell, and CIO Dan Gallagher went to Boston, Massachusetts for on-site due diligence meetings with Harbourvest, Loomis Sayles, and GMO. Following is our due diligence report.

Our first visit began with Harbourvest at 9:00am, Wednesday October 7, 2015 at Harbourvest's Boston headquarters office as follows:

Harbourvest

One Financial Center, 44th Floor
Boston, MA 02111

Harbourvest Personnel

Managing Directors Julie Eiermann, Brett Gordon, Karin Lagerlund, Gregory Stento, John Toomey, Mary Traer, and Principal Aris Hatch.

Firm Overview

We first met with Greg Stento, John Toomey and Aris Hatch. Both John Toomey and Greg Stento are members of the Investment Committee. John is also member of the firm's Executive Committee. A minimum of three of the four members of the Investment Committee are required to agree on an acquisition or disposition.

We discussed the size of firm assets under management, the composition of those assets, and their client composition. John noted that the firm is employee owned. Ninety-four percent of the ownership is held by 25 individuals, of which 19 are managing directors and six senior advisors. Twenty other firm managing directors and principals collectively own the remaining 6%. No individual owns more than 6% of the firm.

John and Greg discussed the policies in place to ensure viable succession planning. The ownership structure includes provisions to expand ownership over time to enable continuity and stability of Harbourvest by the younger generation to both participate in

and ensure the firm's growth. Harbourvest has more than 300 employees in offices in Beijing, Boston, Bogota, Hong Kong, London, Tokyo, and Toronto. Employees down to the level of Senior Associate and VP Principal are eligible to co-invest with the partners to have 'skin in the game'. Seventy people participate in the funds, and the partners co-invest up to 1.5% of the fund.

Harbourvest has had low personnel turnover, losing only 3 senior professionals on the secondaries team in 17 years. As the firm continues to grow, Harbourvest casts a wide net to attract talent, seeks to grow talent organically, and looks to ensure long-career employees.

As of June 30, 2015, HarbourVest managed \$37.3 billion of committed capital for clients in active funds and separate accounts. They noted that there are certain limited partners who remain as active investors in HarbourVest's existing funds, but will not participate in successive offerings for various reasons.

We discussed the firm's allocation policy to ensure an equitable distribution of primary and secondary investments between clients. Harbourvest has a highly diversified client base. Their marketing strategy focuses on geographic territories, rather than focusing primarily on client type.

Greg discussed his view of the firm's greatest risks. Biggest risks include the long-term evolution of DB vs DC plans, of growing the firm in a measured way, and of fostering the continuity of the culture inside the firm.

John noted that the industry appears to be moving toward more liquidity in private equity secondary transactions. Harbourvest doesn't see much of a threat to the private equity business from the current push to re-categorize carried interest as ordinary income for GPs. They believe that carried interest will ultimately be re-categorized to circumvent tax issues.

VCERA's Investment

We next met with Brett Gordon who updated the VCERA investment. VCERA is invested in Harbourvest's Dover Street VIII fund, a global private equity secondaries fund. VCERA has committed \$67,500,000, and was initially funded on May 30, 2013. Thus far, VCERA has contributed \$40,500,000, received \$11,914,154 in distributions, with a current market value of \$45,071,968. There are still \$27,000,000 in unfunded commitments.

Brett described the unique characteristics of Dover VIII. He described how Harbourvest is differentiated in the marketplace as they often pursue more complex deals, or deals with 'more hair on them', such as 'whole fund liquidity' solutions, captive team spinouts, 'take private' transactions, etc. They focus on the less efficient segments of the market. He described the process as a bottom-up, company by company analysis, as well as an assessment of the fund manager responsible for managing the portfolio and making

future investments. Portfolio company information is obtained from financial reports, relevant independent reports on portfolio companies, their competitors, and interviews with fund managers and portfolio company management teams.

As an example, Brett discussed the complexity of the Bank of America *Conversus* deal, in which because of long term relationships, Harbourvest was able to execute the purchase of a Swiss closed end fund. He said that about 10% of the gain came from the purchase discount, and 90% of the gain has come from post-purchase appreciation because of high quality assets. The seller's motivation was driven by the NAV-- the then current price.

Brett discussed zombie funds. He said that Harbourvest watches them and looks for opportunities to sell them, rather than carry them on the books. Harbourvest normally sells all stock distributions from the underlying funds as soon as possible, rather than manage them in a distributions fund.

Brett said they were currently raising a Dover Fund IX with a hard cap of \$4.25 billion, and an average management fee of 75 basis points.

Operations & Risk

We next met with Julie Eiermann, Chief Information Officer, Karin Lagerlund, Chief Financial Officer, and Mary Traer, Chief Administrative Officer. Karin began with an overview of her responsibilities overseeing accounting, auditing, and treasury functions. She described a number of accounting and financial controls used by the organization, including those that have investment authorization outside of the organization, the use of call back procedures similar to those used by banks, multiple levels of verification of unfunded commitments, wire authorizations, etc. Cash balances are minimized to reduce the drag on returns. Harbourvest will use credit facilities to bridge investor capital calls. They may maintain cash accounts in different currencies, and may hedge non-US positions opportunistically.

Valuation policies for each Harbourvest fund are approved by an investor Advisory Committee, and valuations are done according to U.S. GAAP. Portfolios and systems are audited annually by Ernst and Young.

Mary spoke of regulatory issues in UK, Hong Kong, and Japan, and noted that Harbourvest was last audited by the SEC in 2014 with no issues. She also described Harbourvest's participation in Alt Exchange and ILPA, and industry efforts towards a standardized reporting format being made.

Julie gave us an overview of their systems and a demonstration of their primary portfolio tracking system; tracking capital calls, distributions; tracking 22,000 portfolio companies, performance, benchmarking, etc. She spoke of some of the security measures in place such as call-backs, moving to co-location; system back-ups, disaster recovery, and an

annual systems disaster drill. She thought one of the biggest system threats was phishing.

Our visit ended at 1:15pm

Our second visit began at Loomis Sayles' office at 1:20pm, Wednesday October 7, 2015 at Loomis Sayles' Boston headquarters office as follows:

Loomis Sayles

One Financial Center, 29th Floor
Boston, MA 02111

Loomis Sayles Personnel

Jae Park, Executive Vice President, Chief Investment Officer; Vice Presidents Stephanie Lord (Client Portfolio Manager), Doug Farina (Head of Trading), Brian Hess (Product Specialist Strategic Alpha), Roger Ackerman (Product Manager Strategic Alpha), Todd Vandam (Portfolio Manager Strategic Alpha, Product Specialist Multi-Sector), Joseph Taylor (Senior Sovereign Analyst), Tom Fahey (Associate Director Macro Strategies), and Senior Investment Specialist Michael Crowell, and Investment Analyst Christopher Romanelli.

Investment Overview

We first met with Stephanie Lord who gave us a quick overview of the ownership history of the firm. She then identified and described the major investment groups in the firm, and where our products and team members fit into the overall organization.

We next met with Jae Park, Chief Investment Officer for Loomis Sayles. Jae gave us an overview of his overarching strategy for the firm. He spoke of his vision for the need for a more collaborative investment approach at Loomis Sayles. He changed the investment structure from a 'star system' to a team based approach, developing sector teams and product teams with the intent of reducing product dispersion. Jae has formalized internal product reviews every 6 months for every product. He believes that cross training and having professionals with responsibilities across different products strengthens the investment process, and leads to more robust results. He noted that firm's assets have grown from \$49 billion when he was appointed CIO, to \$232 billion today. Jae sees the biggest risk to Loomis Sayles as Dan Fuss, who is 82 years old, leaving.

VCERA's Investments

Stephanie reviewed the three products in which VCERA is invested. As of September 30, 2015, The Multi-Sector Full Discretion product had \$918 million under management.

The Strategic Alpha product had \$1.9 billion under management, and the Global Fixed Income product had \$588 billion under management. VCERA's exposure was \$72 million in Multi-Sector, \$42 million in Strategic Alpha, and \$91 million in Global Fixed Income.

We next toured the operations area, and viewed the trading room, meeting with Loomis' Assistant Head of Trading, Doug Farina. The trading area is walled off with plexi-glass, and only firm personnel are authorized to enter. Doug described the daily briefing prior to the beginning of trading, usually given by Vice Chairman and portfolio manager Dan Fuss, or by Chip Banks, Head of Trading. He also reviewed the trading process, the systems used to ensure client specific guidelines compliance, that the correct security has been identified and is matched by the portfolio manager and traders, adequate position sizes, that the trades are verified for correct entry and transmission to the brokers, and what positions settle, and which are unfilled. Following trade settlement, Loomis information is reconciled against broker confirmations. Subsequently, trades are reconciled against bank statements. We then briefly met with Dan Fuss who expressed appreciation of Loomis' long term investment management relationship with VCERA.

Next we met with Ken Johnson, Product Manager for the Multi-Sector product. Ken discussed where we were in the credit cycle. He noted that 2 years ago, Loomis moved to increase credit risk; adding high yield exposure, and decreasing interest rate risk. He noted that the specific security selection is relative-value driven, and that risk is quantified by standard deviation measurement. Loomis most highly focuses on credit risk. Ken noted the main difference between the Multi-Sector fund and the Strategic Alpha fund is that the Strategic Alpha fund can go short, but the Multi-Sector fund can only go long. Buy/Sell decisions are more qualitative in the Multi-Sector fund, whereas they are more quantitative in the Strategic Alpha portfolio. The Multi-Sector portfolio is designed to maximize return; the Strategic Alpha portfolio is designed to mitigate risk.

We next met with Strategic Alpha Portfolio Manager Todd Vandam, Product Manager Roger Ackerman, and Product Specialist Brian Hess. Todd noted that a primary characteristic of the Strategic Alpha fund was that risk is defined as drawdown, with a targeted limit of 1.5 to 2%. This structure is designed to offer strong downside protection. For this fund, Loomis is adding high yield, bank loans, European credit assets, and believes there are more current opportunities, selectively, in growth-driven emerging markets debt than in developed markets. Todd spoke of his view of the biggest risks emanating from the Chinese deceleration are in infrastructure spending, and concern about commodities such as metals, mining, iron ore, copper- being a demand issue. He noted that of the tier 5 cities in China, there is estimated to be 7 years of unsold housing inventory.

We next met with Michael Crowell and Chris Romanelli who demonstrated Loomis' proprietary "Regime Tool". This software models past economic environments as a risk tool, and is primarily used by the Strategic Alpha team to identify economic scenario drawdown risks.

Our final meeting was with Tom Fahey and Joe Taylor the Macro Strategies team. This group coordinates the global asset allocation research process. They reviewed their economic views of China, on past global crisis; and, the challenge to the EU with immigration. The team believes that the US is headed for a “profit recession”, with companies that are export orientated being particularly at risk. They believe that US housing looks good, and will help decouple us from global malaise; that the US will continue to grow.

Our visit concluded at 5:30pm.

Following our visit, Loomis provided us with a copy of their Disaster Recovery Plan describing their emergency response management plan, remote access plan, identification of redundant data facility in Westborough, MA., identification of systems frequently tested to ensure that all critical data is replicated at the site; and a work area recovery center that contains 110 workstations expandable to 208, 20 trading workstations, phone services, office equipment, and videoconferencing capabilities. In both December 2014 and May 2015, Loomis conducted operational parallel tests of the facility with fixed income and equity trading groups, compliance, trade settlement, operational staff, and general service teams. All critical processes were tested and performed from the work area recovery site.

Our third visit began with GMO at 10:00am, Wednesday October 8, 2015 at GMOs Boston headquarters office as follows:

GMO

40 Rowes Wharf, 2nd Floor
Boston, MA 02110

GMO Personnel

Jayna Cooney, Beth Jordan, Sam Marrone, Jen MacHaffie, Mark Mitchelson, Steve Nazzaro, Erik Norton, Brett Gallagher, Tara Pari, Helen Privett, Daniel Traer, Tom Rosalanko.

Regulatory Compliance, Litigation

We began with a presentation by Mark Mitchelson, attorney on the Compliance team. Mark spoke about SEC audits of different divisions in 2014 and in 2015. In 2014, the only questions arising from the audit were around the liquidity of derivatives. In 2015, the audit noted issues with benchmark disclosure, market impact, the firm’s Fact Sheet disclosures, and the Liquidity Determination Policy. The SEC’s questions and concerns have since all been resolved.

Mark noted that there was no significant legal matters pending. Mark discussed GMO's independent internal compliance processes, including employee trading restrictions, reporting, and monitoring. There is a front end, pre-trade computer system which ensures compliance with investment guidelines prior to trade execution.

Annually the Compliance Group conducts an internal review audit of policies, procedures and investment guidelines that includes an assessment of risks relevant to GMO, and conducts an evaluation of the operation of the policies and procedures to identify and/or mitigate gaps associated with them. The Chief Compliance Officer is independent of the Operations Group, and reports all material matters to the GMO Risk and Audit Committee, the Conflicts of Interest Committee, to GMO's clients, and the respective trustee or board for each of GMO's products.

Next we met with Steve Nazzaro who is responsible for Counterparty and Risk Monitoring. Steve described GMO's deep due diligence on counterparties, daily reviewing their positions in the market, liquidity, and assessing financial strength. Risk assessment information is reviewed by senior members of the firm quarterly, and a summary of the outcomes are provided to GMO's Risk and Audit Committee. Risk control systems have numerous threshold alerts over different platforms, and monitor prime brokers, OTC, repos, cleared Instruments, and cash management.

Internal controls include a third party examination by Price Waterhouse of operational controls in place. Risk Monitoring team also reviews other external providers such as Brown Brothers Harriman, State Street, and International Fund Services. Portfolio measurement and identification risk tools include Barra and Value at Risk measurement.

We next met with Tara Pari, manager of the Risk and Controls team, who is internally responsible for the preparation of the SOC 1 reports. These reports, prepared in accordance with *Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization*, are specifically intended to meet the needs of the managements of user entities and the user entities' auditors, as they evaluate the effect of the controls at the service organization on the user entities' financial statement assertions. These reports are important components of user entities' evaluation of their internal controls over financial reporting for purposes of complying with laws and regulations such as the Sarbanes-Oxley Act and the user entities' auditors as they plan and perform audits of the user entities' financial statements. These reports replace the former SAS 70 Document.

Next we met with Beth Jordan and Helen Privett who spoke about IT, business continuity, and disaster recovery. They described back up data redundancy, how *all* information is backed up in both Bedford, MA. and Marlboro, MA. They described how the systems have been tested as recently as this past winter, where both back up facilities were independently taken off line to allow the other facility to operate independently. Back up space is also dedicated at the Bedford facility, with office equipment and telephones for staff in place in the event of a disaster. They described

the biggest risk to IT people as Phishing- employees clicking on links to malevolent websites.

We then met with Dan Traer and Brett Gallagher who walked through portfolio operations, taking us through the process from idea generation to idea vetting, to the buy/sell approval process, described the system used to ensure guideline compliant trades, to trade verification prior to execution, to allocation, to trade communication with the brokers, and finally reconciliation of trade settlement. They explained that they monitor and execute their own corporate actions, rather than letting the custodian perform that function; and, they outsource proxy voting to ISS.

We then toured the trading floor. Following the tour, we met with Erik Norton and Sam Marrone who described in great detail GMO's trading and trading operations systems.

Our final meeting was with Tom Rosalanko, a member of GMO's Asset Allocation team. Tom switched from the Global Equity team to the Asset Allocation team in September 2015. Tom reviewed GMO's investment outlook, functions of the fundamental analysis team, demonstrated and described the quantitative model used by the firm to rank investment opportunities, and that the model can be overridden by portfolio managers or division heads. Tom noted an average of 40 – 70% turnover in the portfolio; that the Asset Allocation team is responsible for weighting US/non-US/emerging markets. The Global Equity team picks developed market securities, and the emerging markets team relies on both quantitative and fundamental factors in their recommendations.

We concluded our visit with GMO at 1:30pm.

Overall, our team found the presentations to be very thoughtful, thorough, organized, and we were briefed by decision making individuals at the organizations we visited. We did not identify any reportable due diligence concerns.

Respectfully submitted,

Will Hoag
Mike Sedell
Dan Gallagher