

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

JANUARY 23, 2017

MINUTES

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

DIRECTORS
ABSENT: Deanna McCormick, General Employee Member
Craig Winter, General Employee Member

STAFF
PRESENT: Linda Webb, Retirement Administrator
Lori Nemiroff, Assistant County Counsel
Henry Solis, Chief Financial Officer
Julie Stallings, Chief Operations Officer
Shalini Nunna, Retirement Benefits Manager
Vickie Williams, Retirement Benefits Manager
Stephanie Berkley, Retirement Benefits Specialist
Chris Ayala, Program Assistant

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

TIME: 9:00 a.m.

ITEM:

I. CALL TO ORDER

Chair Towner called the Business Meeting of January 23, 2017, to order at 9:00 a.m.

II. APPROVAL OF AGENDA

MOTION: Approve.

Moved by Johnston, seconded by Bianchi.

Vote: Motion carried

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

No: -

Absent: Foy, Hintz, McCormick, Winter

III. CONSENT AGENDA

A. Approve Regular and Deferred Retirements and Survivors Continuances for the Month of December 2016

B. Receive and File Report of Checks Disbursed in December 2016

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

D. Receive and File Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Schedule of Investments and Cash Equivalents, and Schedule of Investment Management Fees for the Period Ending November 30, 2016.

MOTION: Approve.

Moved by Goulet, seconded by Johnston.

Vote: Motion carried

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

No: -

Absent: Foy, Hintz, McCormick, Winter

VI. INVESTMENT INFORMATION

A. NEPC – Tony Ferrera

1. Preliminary Performance Report Month Ending

November 30, 2016

RECOMMENDED ACTION: Receive and file.

2. Preliminary Performance Report Month Ending December 31, 2016

RECOMMENDED ACTION: Receive and file.

Trustee Wilson commented on two issues with the portfolio. The first was performance of the international stock market. Trustee Wilson said that he was surprised that NEPC has not recommended a reduced, if not a total removal of assets from the international equities market. Trustee Wilson said Mr. Martin of NEPC presented materials to the Board showing that over the past 40 years, the international markets outperformed the U.S. market. For the first 20 years, the international markets performed well, but for the last 20 years they underperformed the U.S.

Mr. Ferrera said that in about a month NEPC would be presenting to the Board capital market assumptions and the quarterly investment report for the 4th quarter. Mr. Ferrera said that he believed that Mr. Martin and NEPC would still advocate for continued investment in the international markets.

Trustee Wilson said his second issue was the topic of active management. Trustee Wilson said that he had changed his position, and did not see any advantage or value to active management for certain assets, such as non-US equity assets.

Mr. Ferrera said that we would like to see the final numbers for the active managers versus the benchmarks to see what the advantage may or may not be for some assets. Mr. Ferrera said that NEPC would like to talk more about this issue with the Board in the future.

Trustee Goulet asked if Mr. Ferrera if there has been any discussion among his colleagues regarding the impact of President Trump's isolation position on the markets.

Mr. Ferrera replied that there has been some informal discussion regarding this, however it is difficult to predict impact until more of the President's plans were announced and implemented. He said NEPC planned on discussing this with the Board in the future.

Trustee Johnston asked Mr. Ferrera when NEPC reviews the foreign markets, to apply the local currency effects, because the currency variances have continued to be an issue and he would like of make sure that NEPC is tracking it, so that VCERA can make an informed decision on currency hedging.

Mr. Ferrera replied that they would include it in the analysis.

Chair Towner asked if the analysis would also include diversification for risk.

Mr. Ferrera replied that the analysis definitely would include it for the whole portfolio and would be presented to the Board next month.

Trustee Hintz arrived at 9:02 a.m.

Trustee Foy arrived at 9:08 a.m.

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

MOTION: Receive and file.

Moved by Hintz, seconded by Goulet.

Vote: Motion carried

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

No: -

Absent: McCormick, Winter

Trustee Goulet said that he would like to remind the Board of the passing of AB 2376, which took effect on January 1st 2017, enabling Trustee Hoag to vote in the absence of two General Board members.

V. ACTUARIAL INFORMATION

A. Review and Approval of Annual Actuarial Information Report as of June 30, 2016 – The Segal Company, Paul Angelo and John Monroe.

1. June 30, 2016 Actuarial Valuation Report
2. June 30, 2016 GAS 67 Actuarial Valuation Report

Trustee Goulet commented on the amount of unfunded liability being attributable to assumptions in plan changes.

In response to a question by Trustee Goulet, Mr. Angelo responded that barring some particular measurable effects in the market or a change in VCERA's asset allocation, he would agree with NEPC's belief that VCERA's 7 1/2 % investment assumption rate was reasonable.

In response to a question from Trustee Foy, Mr. Angelo responded that he did not recommend that the Board consider modifying the investment assumption rate between the scheduled 3-year review cycles.

Trustee Foy commented that 71% of the unfunded liability comes from assumptions changes, to which Mr. Angelo replied that it came from changes to both the demographic and financial assumptions.

Trustee Johnston commented that the unfunded liability has dropped over the last 2 years by \$140,000,000, and Mr. Angelo said this was primarily due to the Board's amortization policy.

Trustee Goulet asked if Segal had an opinion on the impact of a repeal of the Affordable Care Act. Mr. Angelo replied that they did not.

In response from a question from Mr. Goulet, Mr. Monroe said that the reference to 309 vested terminated PEPRA members refers to those who are vested as well as those with member contributions on deposit.

Trustee Goulet noted that PEPRA members make up about 23% of the active membership and asked if this was common. Mr. Angelo replied it was very common.

Mr. Foy asked about trends in other retirement systems that VCERA should consider. Mr. Angelo replied that the two primary trends relate to funding policy and assumption rate, both of which VCERA is already reviewing regularly. Mr. Angelo said the only other thing VCERA could do is consider a plan for reducing risk by using a surplus, which may eventually occur.

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

MOTION: To Adopt the June 30, 2016 Actuarial Valuation Report.

Moved by Johnston, seconded by Bianchi.

Vote: Motion carried

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

No: -

Absent: McCormick, Winter

MOTION: To Adopt the June 30, 2016 GAS 67 Actuarial Valuation Report.

Moved by Bianchi, seconded by Wilson.

Vote: Motion carried

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

No: -

Absent: McCormick, Winter

Chair Towner requested a Break at 10:25 a.m.

The Board returned from break 10:40 a.m.

**B. 2017 PEPRA Annual Compensation Limit
RECOMMENDED ACTION: Approve**

1. Staff Letter
2. California Actuarial Advisory Panel PEPRA Pension Compensation Limits for the Calendar Year 2017

Ms. Webb stated that this is an annual item the Board votes following the California Actuary Advisory Panel annual letter is released to California retirement systems. The letter details the panel's calculations of the PEPRA compensation limits and this year's calculation resulted in a PEPRA cap of \$118,775 for members integrated with Social Security (general members) and \$142,530 for members not integrated with Social Security (Safety members).

MOTION: Approve.

Moved by Sedell, seconded by Bianchi.

Vote: Motion carried

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

No: -

Absent: McCormick, Winter

VII. OLD BUSINESS

- A. Update on Request to Auditor-Controller for Read-Only/Query Access to VCHRP Retirement Tables
 1. Staff Letter
 2. Steering Committee Response of October 16, 2016

Ms. Webb reported that the previous week the Steering Committee had met with staff, and shortly after communicated they would release read-only access but not query access to 3 of the 8 retirement tables, and indicated that the full request was still under consideration.

Trustee Foy asked if the Steering Committee still cited security concerns as the reason for not giving VCERA the access requested. Ms. Webb responded yes.

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

MOTION: Receive and file.

Moved by Wilson, seconded by Bianchi.

Vote: Motion carried

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

No: -

Absent: McCormick, Winter

B. Consideration and Submission of Additional Information on Retiree Reinstatement Rules

1. Letter from Trustee Goulet

Trustee Goulet summarized the contents of his letter, indicating he had additional information since his comments of the last meeting regarding reinstatement rules for retirees.

Trustee Foy asked if the research that Trustee Goulet had done, had shown that VCERA had been reinstating the VCERA member's into the correct tiers.

Trustee Goulet replied yes.

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

MOTION: To Continue Current Policy and Practice of Reinstating Retirees into the Tier in Effect on December 31, 2012 (last pre-PEPRA tier)

Moved by Goulet, seconded by Foy.

Vote: Motion carried

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

No: -

Absent: McCormick, Winter

C. Consideration and Possible Action to Seek Legislative Sponsor for Amendment to Government Code Section 31522.11

1. Letter from Chair Towner

Chair Towner said this item was to seek authority to find an author for a technical bill to amend CERL in regard to VCERA's district status for its 5 management employees, which will help with VCERA's succession planning. Chair Towner said this is specific to the transferring of the annual leave for any

employee of County of Ventura who is hired into an executive position with VCERA. Chair Towner said that this item is also to request authority to engage a lobbyist to assist in this legislative effort, with fee not to exceed \$25,000.

Trustee Foy asked if this was a federal taxation matter.

Ms. Nemiroff said it was a statutory matter and that the annual leave transfers would be automatic, by statute, which is similar to when the Ventura County Superior Courts became a separate entity from the County. Ms. Nemiroff also said that there would not be an issue with constructive receipt because employees would not have the choice to receive a cash payout and by statute their annual leave balances would automatically transfer.

Trustee Sedell commented that the County of Ventura's previous issue was that they believed this would put them at risk, in which case we should ask them to join us in this request.

Chair Towner said that we would inform the County of Ventura of our intentions and give them the opportunity to join us in this effort.

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

MOTION: Follow the Recommended Action.

Moved by Goulet, seconded by Bianchi.

Vote: Motion carried

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

No: -

Absent: McCormick, Winter

VIII. NEW BUSINESS

A. SACRS 2017-2018 Board of Director Nominations

1. SACRS Memorandum

Ms. Webb invited nominations to serve on the SACRS Board, consistent with the SACRS' memorandum. Trustee Goulet commented that he had already submitted his nomination to serve as Secretary.

MOTION: Receive and File.

Moved by Foy, seconded by Bianchi.

Vote: Motion carried

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

No: -

Absent: McCormick, Winter

B. Report & Recommendation on PEPRA Pensionable Compensation Analysis

1. Staff Letter
2. Attachment A: Additional Pay Code Analysis
3. Excerpt from September 22, 2015 Board of Supervisors Letter Creating HCA Fiscal Premium Pay
4. Section 410 of COV Management Resolution
5. Memorandum to COV Regarding Pensionability of CNA Retention Premium Payment
6. Memorandum Regarding Analysis of Additional Pay Codes, Ashley Dunning, Nossaman, LLP
(To be provided)

Ms. Webb stated that this was a follow-up item to the action by the Board on October 2015 when the Board took action on the inclusion and exclusion of various pay items for both the County of Ventura and VRSD under PEPRA and our Board Resolution. Ms. Webb said that there are now 9 new codes, of which staff believed 2 met the criteria for inclusion and 7 which did not. Ms. Webb said the County of Ventura was in agreement with staff's analysis for all but one, which was the recommendation to exclude HCA Fiscal Premium Pay code. Ms. Webb said Outside Counsel was in agreement with staff's determinations.

The Board received public comment from Shawn Atin, Human Resources Director for the County of Ventura. Mr. Atin said the County of Ventura believes HCA Fiscal Premium Pay to be very similar to Market Based Premium Pay, which was an item that the Board has previously voted on to include in pensionable pay.

Trustee Foy asked whether the other types of pay given to nurses or pharmacy staff were also discretionary.

Ms. Webb responded that the MOU language for the other pay items did not contain the same discretionary language as the item in question.

Mr. Atin said that the County of Ventura had long considered market based premium pay (MBPP) to be in the nature of base pay, and believed the HCA Fiscal Premium Pay to be very much akin to MBPP, but simply call it something different because it is in recognition of an assignment.

Trustee Foy commented that it was an effort to avoid having codes for every specialized position, so the County came up with premium pay specialty codes which it considers to be base pay.

Mr. Atin said yes and certain positions within the HCA have recruitment or retention issues, and inclusion of this pay item would not affect the Plan at this time because everyone assigned is a legacy member; however, the County promotes inclusion of the pay code for future recruitment of PEPRAs members.

Trustee Foy said he recalled that some HCA fiscal positions have a higher pay scale than the CEO fiscal positions, because it has been hard to recruit and retain employees for those positions.

Mr. Atin replied yes, it is and the County has had many empty positions and the positions are critical part of the County of Ventura's operations.

Trustee Foy asked Ms. Webb, why is this pay code different from some of the others.

Ms. Webb responded that this specific pay code was created in September 2015 and presented as a temporary pay pending a County review of the HCA fiscal positions. A year later after such a review, the position titles were changed and pay ranges increased; however, the 7.5% premium pay continued to be paid. Ms. Webb said a critical question was, if a PEPRAs employee were hired into one of these positions would the premium pay be considered pensionable; if the answer was no, this was a concern. She cautioned the Board that it was problematic when a pay item is based on a specific person in a position rather than the position itself.

Ms. Webb also said that in October of 2015 staff and counsel evaluated pay items as "situational" in terms of meeting inclusion criteria; an example bilingual pay. This was situational because sometimes being bilingual was a requirement for a position and sometimes it was not. When the skill was not necessary for performing the job, then it was not pensionable.

Trustee Foy asked if the positions that Mr. Atin is speaking of requires certain skills that grants them the premium pay, what the difference would be. Ms. Webb replied that the difference is in the MOU, where it states that the premium pay may be given and taken away at the County of Ventura's discretion without recourse. Ms. Webb said that if it is discretionary and not

seen as necessary to perform the job, then staff and counsel's analysis would deem it to be not pensionable.

Mr. Atin said that he respectfully requested the Board consider the County of Ventura's opinion, that this pay item should be considered pensionable.

Chair Towner stated that although he appreciated Mr. Atin's efforts, he felt bound by the legal opinion as a fiduciary. Chair Towner asked if there was a way that the pay item could be included in base pay.

Trustee Goulet stated that he had a different question in regards to the market based premiums, as the Board's approval was conditional on the County providing a publicly available pay schedule, which has not yet been approved.

Mr. Atin replied that often items are very complex and the County had previously submitted a publically available pay scale on market based premium pay, but it needed refining and they are working towards that.

Trustee Goulet asked under what conditions the County of Ventura would take away the premium pay from the positions in question. Mr. Atin replied it would depend on the recruitment and retention for those positions as well as the complexity of the job.

Trustee Sedell asked Mr. Atin if there was a way that the employees in these positions could be given a percentage equal to what was not pensionable for the pay item in lieu of it being pensionable, and if the County could then remove the additional pay if deemed necessary.

Mr. Atin said that he could talk to his counsel in regard this request.

Trustee Hintz said that he and Trustee Goulet would like to know, under what conditions could this particular type of pay could be withdrawn.

Trustee Foy said it was a given and that he maintained that it was because of the complexity and the inability to retain employees for those positions.

Mr. Atin said that currently under the Management Resolution, if a position's complexity and workload diminished or changed, the agency head and the HR Director could remove that pay premium.

Ms. Webb said that while the County's task was complicated, VCERA's was easier in that the determination of inclusion or exclusion was done through review of 2 things which were PEPRA and the Board of Retirement's Resolution.

Trustee Sedell said that he would like to make a motion to adopt all of the items, except for the HCA Fiscal Premium Pay, until Ms. Webb and Mr. Atin and perhaps counsel could discuss it further and present a possible alternative for the Board to consider at a later date.

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

MOTION: To Adopt staff recommendations, except for HCA Fiscal Premium Pay, which will be brought back to the Board at a later date.

Moved by Sedell, seconded by Goulet.

Vote: Motion carried

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

No: -

Absent: McCormick, Winter

C. Update on Status of RFP for Actuarial Audit Services

Ms. Webb gave verbal update that staff was progressing on this item and would be meeting internally this week to determine the timeline that will be included in the RFP.

MOTION: Receive and File.

Moved by Hintz, seconded by Wilson.

Vote: Motion carried

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

No: -

Absent: McCormick, Winter

X. INFORMATIONAL

A. SJCERA Announcement of New CEO

XI. PUBLIC COMMENT

None

XII. STAFF COMMENT

Ms. Webb reminded the Board about the filing of Form 700s.

Ms. Webb said staff would be sending information reflecting VCERA's records of individual trustees' training hours.

Ms. Webb said that staff was working on providing an abbreviated tutorial for the Diligent Board Books system.

XIII. BOARD MEMBER COMMENT

Trustee Johnston asked if the labor statistics for December 2016 were available. Ms. Webb replied that she believed they had just been released.

Chair Towner said that April had only one meeting scheduled, which could be very lengthy with 3 investments presentations scheduled. Chair Towner said that the Board would need to decide soon whether to have one long Board meeting or to schedule an additional meeting for April to accommodate the agenda.

Trustee Goulet commented that the November 2016 issue of Pensions and Investments magazine had an article regarding the North Dakota State Investment Board putting Adams Street on watch, citing a lack of transparency. Trustee Goulet also said that he would like Mr. Gallagher to see if Adams Street is being transparent, because of the new law regarding transparency.

XIV. ADJOURNMENT

The meeting was adjourned at 11:32 a.m.

Respectfully submitted,



LINDA WEBB, Retirement Administrator

Approved,



TRACY TOWNER, Chairman