

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

FEBRUARY 26, 2018

MINUTES

DIRECTORS
PRESENT: Tracy Towner, Chair, Alternate Safety Employee Member
William W. Wilson, Vice Chair, Public Member
Steven Hintz, Treasurer-Tax Collector
Robert Bianchi, Public Member
Craig Winter, General Employee Member
Maeve Fox, General Employee Member
Arthur E. Goulet, Retiree Member
Will Hoag, Alternate Retiree Member
Chris Johnston, Safety Employee Member
Ed McCombs, Alternate Public Member

DIRECTORS
ABSENT: Peter Foy, Public Member
Mike Sedell, Public Member

STAFF
PRESENT: Linda Webb, Retirement Administrator
Lori Nemiroff, County Counsel
Henry Solis, Chief Investment Officer
Dan Gallagher, Chief Investment Officer
Julie Stallings, Chief Operations Officer
Karen Scanlan, Accounting Manager I
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 February 26, 2018, to order at 9:01 a.m.

II. APPROVAL OF AGENDA

Trustee Hintz left at 9:02 a.m., before the vote on agenda items II. – IV.

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

MOTION: Approve.

Moved by Goulet, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Fox, Goulet, Johnston, McCombs, Towner, Wilson, Winter

No: -

Absent: Foy, Hintz, Sedell

Abstain:

III. APPROVAL OF MINUTES

A. Disability Meeting Minutes of February 12, 2018.

Ms. Nemiroff offered a correction to the minutes. She said that the motion on agenda item, "V.D. Application for Service-Connected Disability Retirement - Titcher, Jeffrey; Case No. 13-017", should be corrected to match the recommendation set forth in her memorandum to the Board, as the Board voted to approve such recommended action.

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

MOTION: Approve as Amended.

Moved by Goulet, seconded by Wilson.

Vote: Motion carried

Yes: Bianchi, Fox, Goulet, Johnston, McCombs, Towner, Wilson, Winter

No: -

Absent: Foy, Hintz, Sedell

Abstain:

IV. CONSENT AGENDA

A. Approve Regular and Deferred Retirements and Survivors Continuances for the Month of January 2018.

B. Receive and File Report of Checks Disbursed in January 2018.

C. Receive and File Budget Summary for FY 2017-18 Month Ending December 31, 2017.

- D. Receive and File Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Investments and Cash Equivalents, and Schedule of Investment Management Fees for the Period Ending December 31, 2017.

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, Fox, Goulet, Johnston, McCombs, Towner, Wilson, Winter

No: -

Absent: Foy, Hintz, Sedell

Abstain:

V. INVESTMENT MANAGER PRESENTATIONS

- A. Receive Annual Investment Presentation, Prudential Real Estate Investors – PGIM, Frank Garcia, and Marcus Berry.

Trustee Hintz returned at 9:05 a.m.

Marcus Berry was present on behalf of Prudential Real Estate Investors – PGIM to provide an organizational and investment performance update.

After hearing this presentation, the Board advanced to agenda item V.C.

- B. Receive Annual Investment Presentation, Adam Street Partners, Scott Hazen, and Saguna Malhotra.

Scott Hazen, and Saguna Malhotra were present on behalf of Adam Street Partners to provide an organizational and investment performance update.

After hearing this presentation, the Board advanced to agenda item “VI. Investment Information”.

- C. Receive Annual Investment Presentation, UBS Asset Management, Stephen Olstein, and Mario Maturo.

Stephen Olstein was present on behalf of UBS Asset Management to provide an organizational and investment performance update.

After hearing this presentation, the Board took a break at 9:50 a.m.

The Board returned from break at 10:05 a.m., and returned to agenda item V.B.

VI. INVESTMENT INFORMATION

- A. NEPC – Allan Martin
VCERA – Dan Gallagher, Chief Investment Officer

1. December 2017 Quarterly Performance Report.
RECOMMENDED ACTION: Receive and file.
2. January 2018 Monthly Performance Report.
RECOMMENDED ACTION: Receive and file.
3. 2018 Outlook: Capital Market Assumptions.
RECOMMENDED ACTION: Receive and file.

Trustee McCombs left the meeting before the vote on agenda item VI.A. 1-3.

After discussion by the Board, staff, and consultant, the following motion was made:

MOTION: Receive and File Items VI.A.1., VI.A.2., and VI.A.3.

Moved by Wilson, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Fox, Goulet, Hintz, Johnston, Towner, Wilson, Winter

No: -

Absent: Foy, McCombs, Sedell

Abstain:

Trustees Wilson and Fox left after the vote on this item.

VII. OLD BUSINESS

None.

VIII. NEW BUSINESS

- A. Mid-Year Budget Update for FY 2017-18.
RECOMMENDED ACTION: Approve.
 1. Staff Letter by C.I.O., Henry Solis.
 2. Budget Summary.

Mr. Solis informed the Board that in spite of projected overages in major spending categories, including the additional up to 500 hours that Board had approved for V3 enhancements, VCERA's overall FY 2017-18 projected expenditures would still be under the adopted budget. Mr. Solis stated that the majority of the savings are projected in salary and employee benefits category, since new positions that were added during the year remained vacant, as well as savings from other vacancies as well as positions filled at lower than budgeted salaries and employee benefits. Mr. Solis requested that the Board approve the recommendation to adjust appropriations between major expenditure categories to bring the overall adopted budgeted in balance. If necessary, fiscal will return to your Board, if any significant changes occur for the remainder of the fiscal year or if expenditure categories are exceeded at year end to close out the year.

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

MOTION: 1) Receive and File the Mid-Year Projection.

2) Authorize Staff to Process the Recommended Budgetary Adjustments.

Moved by Goulet, seconded by Johnston.

Vote: Motion carried

Yes: Bianchi, Goulet, Hintz, Johnston, Towner, Winter

No: -

Absent: Foy, Fox, McCombs, Sedell, Wilson

Abstain:

B. Selection of C.P.A. Firm for Auditing Services.

RECOMMENDED ACTION: Select C.P.A. Firm.

1. Staff Letter with Attachments by C.F.O., Henry Solis.
2. RFP Summary of Results.

Mr. Solis stated that a formal RFP for auditing services was performed. He reminded the Board that a formal RFP for auditing services had not been performed in over 15 years and that the Board had renewed its auditing services agreement with the current auditor every three years. He stated that the RFP was issued at the end of December 2017, that closed at the end of January 2018. He stated that VCERA received 2 proposals (Brown Armstrong Accountancy Corporation (BA) and CliftonLarsonAllen (CLA). He stated that a committee was created to evaluate the proposals based on the criteria outlined in the Board letter and recommend an auditing firm to the Board. Based on the evaluation by the committee, BA was the finalist. He stated that some trustees had previously stated that the Board consider rotating auditing firms. However, no weight was given to this criteria. Mr. Solis stated that given that the Board might exercise the option of rotating audit firms, that CLA was also a highly qualified audit firm. Given that both audit firms were qualified and that the Board might consider changing audit firms, staff conducted reference checks on both audit firms and found each respective audit firm to be professional and highly qualified.

Mr. Solis also stated that he failed to mention in the letter that current partner assigned to the VCERA audits has been the same since at least 2009 and that the audit manager has been the same one for the last four years. Mr. Solis suggested that if the Board awards the contract to BA, that the Board might consider requesting that BA rotate the partner and audit manager for the next 3-4 year award period.

Trustee Goulet reminded the Board that he had advocated changing firms, however he had no objections to rehiring BA based on the results of the RFP. Mr. Goulet stated that he also agreed with the CFO and was also going to suggest rotating the partner and lead auditor, because he believed that a lead auditor should not have any involvement after 2 years. He suggested that the lead auditor be rotated every 2 years and that the lead auditor should make the presentation to the Board because of their direct involvement in the audit, instead of a partner.

Trustee Goulet also suggested that the Board create an Audit Committee to review the audit as it progresses, as he has advocated for in the past. He stated that one of the reasons was

because the audit was included in the CAFR, and because of time constraints it would be difficult to make meaningful changes. He further suggested that it would be better to make changes during the audit to limit the changes that need to be made when its presented to the Board.

Mr. Solis replied that BA partners present the audits results, and not the audit manager. He also stated that BA follows a California State requirement to rotate the audit manager every 5 years. Mr. Solis stated that he would confirm with BA if the audit manager could present the audit findings.

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

MOTION: 1) Award contract to Brown Armstrong Accountancy Corporations subject to the following: i) current Partner be rotated; ii) current Audit Manager (Lead) be rotated every 2 years, inclusive with any previous involvement, and every 2 years thereafter; iii) Audit Manager present results of audit to the Board.

2) Authorize staff to finalize an agreement with Brown Armstrong Accountancy Corporation.

3) Authorize Board Chair or Retirement Administrator to execute agreement upon Counsel's review.

Moved by Goulet, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Goulet, Hintz, Johnston, Towner, Winter

No: -

Absent: Foy, Fox, McCombs, Sedell, Wilson

Abstain:

C. Review of 2017 Board Member Education Compliance.

RECOMMENDED ACTION: Approve.

1. Staff Letter.

(To be provided)

2. Board Education Compliance Report for 2017.

(To be provided)

Ms. Webb said the provided Annual Board Education Compliance Report was required to be posted on VCERA's website, and if any of the trustees had corrections or additions to please let her know.

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

MOTION: Approve.

Moved by Bianchi, seconded by Hintz.

Vote: Motion carried

Yes: Bianchi, Goulet, Hintz, Johnston, Towner, Winter
No: -
Absent: Foy, Fox, McCombs, Sedell, Wilson
Abstain:

IX. INFORMATIONAL

A. NEPC 23rd Annual Conference.

X. PUBLIC COMMENT

None.

XI. STAFF COMMENT

Ms. Webb reported a productive meeting between herself and the County Human Resources Director, regarding VCERA's I.T. Officer position.

Mr. Gallagher said that NEPC's research group had completed their evaluation of Hexavest in respect to the departure of their co-CIO, and they recommended no action be taken. Secondly, he noted that he had distributed a hardcopy to the Board of Abbott Capitol Management's 2017 Year-End Review and 2018 Outlook. Finally, Mr Gallagher reported that the Fund of One had just approved its second fund investment.

XII. BOARD MEMBER COMMENT

Trustee Hoag informed the Board that at the next Disability Meeting, the Board would be conducting performance evaluations for the Retirement Administrator, Chief Investment Officer, and the General Counsel.

XIII. ADJOURNMENT

The Chairman adjourned the meeting at 12:04 p.m.

Respectfully submitted,



LINDA WEBB, Retirement Administrator

Approved,

TRACY TOWNER, Chairman