

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY & BUSINESS MEETING

DECEMBER 10, 2018

MINUTES

**TRUSTEES
PRESENT:**

William W. Wilson, Vice-Chair, Public Member
Steven Hintz, Treasurer-Tax Collector
Peter C. Foy, Public Member
Mike Sedell, Public Member
Robert Bianchi, Public Member
Maeve Fox, General Member
Arthur E. Goulet, Retiree Member
Will Hoag, Alternate Retiree Member
Chris Johnston, Safety Member
Ed McCombs, Alternate Public Member

**TRUSTEES
ABSENT:**

Craig Winter, General Member

**STAFF
PRESENT:**

Linda Webb, Retirement Administrator
Lori Nemiroff, General Counsel
Henry Solis, Chief Financial Officer
Julie Stallings, Chief Operations Officer
Dan Gallagher, Chief Investment Officer
Leah Oliver, Chief Technology Officer
Shalini Nunna, Retirement Benefits Specialist
Vickie Williams, Retirement Benefits Specialist
Josiah Vencel, Communications Officer
Donna Edwards, Retirement Benefits Specialist
Nancy Jensen, Retirement Benefits Specialist
Chris Ayala, Program Assistant
Sierra Walsh, Office Assistant III

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

Vice-Chair Wilson called the Disability & Business Meeting of December 10, 2018, to order at 9:01 a.m.

II. APPROVAL OF AGENDA

MOTION: Approve.

Moved by Bianchi, seconded by Sedell.

Vote: Motion carried

Yes: Bianchi, Foy, Goulet, Johnston, McCombs, Sedell, Wilson

No: -

Absent: Fox, Hintz, Winter

Abstain: -

III. APPROVAL OF MINUTES

A. Business Minutes of November 19, 2018.

Trustee Goulet offered a correction to the minutes. He said on Master Page 7, in Section VI. "Investment Information," the motion should have been listed after the sentence, "After discussion by the Board, staff and consultant, the following motion was made."

MOTION: Approve with Correction.

Moved by Bianchi, seconded by Johnston.

Vote: Motion carried

Yes: Bianchi, Foy, Goulet, Johnston, McCombs, Sedell, Wilson

No: -

Absent: Fox, Hintz, Winter

Abstain: -

IV. CONSENT AGENDA

- A. Approve Regular and Deferred Retirements and Survivors Continuances for the Month of November 2018.
- B. Receive and File Report of Checks Disbursed in November 2018.
- C. Receive and File Budget Summary for FY 2018-19 Month Ending November 30, 2018.
- 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 October 31, 2018.

MOTION: Receive and File.

Moved by Johnston, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Foy, Goulet, Johnston, McCombs, Sedell, Wilson

No: -

Absent: Fox, Hintz, Winter

Abstain: -

V. RECEIVE AND FILE PENDING DISABILITY APPLICATION STATUS REPORT

MOTION: Receive and File.

Moved by Goulet, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Foy, Goulet, Johnston, McCombs, Sedell, Wilson

No: -

Absent: Fox, Hintz, Winter

Abstain: -

VI. APPLICATIONS FOR DISABILITY RETIREMENT

A. Application for Service-connected Disability Retirement - Helus, Ronald L.; Case No. 18-027.

1. Employer-Filed Application for Service-connected Disability Retirement, filed November 14, 2018.
2. Medical Analysis and Recommendation, including Supporting Medical Documentation, submitted by County of Ventura, Risk Management, in support of the Application for Service-connected Disability Retirement, dated November 27, 2018.
3. Hearing Notice, dated November 29, 2018.

Catherine Laveau was present on behalf of County of Ventura Risk Management.

Trustee Goulet made a motion that the Board approve the application for service-connected disability retirement. He offered his sincere condolences on behalf of the Board to Officer Helus' family.

MOTION: Approve the Application for Service-connected Disability Retirement.

Moved by Goulet, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Foy, Goulet, Johnston, McCombs, Sedell, Wilson

No: -

Absent: Fox, Hintz, Winter

Abstain: -

- B. Application for Nonservice-connected Disability Retirement - Houston, Stephen D.; Case No. 18-002.
1. Application for Nonservice-connected Disability Retirement, filed January 16, 2018.
 2. Medical Analysis and Recommendation, including Supporting Medical Documentation, submitted by VCERA Staff, in support of the Application for Nonservice-connected Disability Retirement, dated December 10, 2018.
 3. Hearing Notice, dated November 28, 2018.

Julie Stallings and Donna Edwards were present on behalf of VCERA. The applicant, Stephen D. Houston, was also present.

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

MOTION: Approve the Application for Nonservice-Connected Disability Retirement.

Moved by Sedell, seconded by Johnston.

Vote: Motion carried

Yes: Bianchi, Foy, Goulet, Johnston, McCombs, Sedell, Wilson

No: -

Absent: Fox, Hintz, Winter

Abstain: -

Trustees Fox and Hintz arrived after the vote at 9:04 a.m.

- C. Request for Consideration from Trustee Goulet for Alternate Disability Retirement Application Processing for Catherine D. Rodriguez and Ongoing Policy for Processing of Applications Where Potential Conflict of Interest May Exist.
1. Letter from Trustee Goulet.

Trustee Goulet clarified that his recommendation was not that the Board should establish a policy, although a policy might be prudent, so the Board need not make an alternate application-processing decision on every future case involving a potential conflict of interest. He said he had presented the item to the Board because there is a potential for a conflict of interest (or at least the appearance of it) regarding Ms. Rodriguez's disability retirement application. Therefore, his recommendation was to request that the County CEO's Office recuse itself from Ms. Rodriguez's case and that VCERA staff be directed to conduct the requisite investigation internally or to contract with a neighboring retirement system governed by the County Employees Retirement Law of 1937 to process the application.

Mr. Pode remarked that Risk Management had never reported to Ms. Rodriguez nor did she have access to their files or computer systems. However, he acknowledged the potential perception of a conflict of interest, and said that he thought it was important to address the issue in this case, as well as any future cases. He stated that Risk Management had a fair system, but he agreed that Ms. Rodriguez's case should be reviewed by another retirement system. Mr. Pode said Risk Management would be happy to work with VCERA to create a fair policy for

similar cases going forward; and, once that policy was in place, Risk Management would recuse itself from all applicable cases.

Trustee Foy remarked that after working with Mr. Pode for the last 12 years, he found Risk Management to be very straightforward and honest. But he agreed that there could be a perception of a conflict of interest and therefore suggested that such a policy also include all CEO staff and department heads.

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

MOTION: Direct Staff to Work with Risk Management's Office to Create an Agreement for an Independent Solution to Process the Disability Retirement Application of Ms. Catherine Rodriguez, and in the Event that VCERA Staff and Risk Management Cannot Agree on a Process, Staff Would Return to the Board for Further Direction.

Moved by Foy, seconded by Sedell.

Vote: Motion carried

Yes: Bianchi, Fox, Foy, Goulet, Hintz, Johnston, McCombs, Sedell, Wilson

No: -

Absent: Winter

Abstain: -

Following the vote on this item, the Board advanced to agenda item IX.A. "BlueBay Direct Lending Fund III Presentation, Danielle Hootnick and Anthony Fobel."

VII. ACTUARIAL INFORMATION

- A. Review and Approval of Annual Actuarial Valuation Report as of June 30, 2018 – Segal Consulting, Paul Angelo and John Monroe.
1. June 30, 2018 Actuarial Valuation Report.
 2. June 30, 2018 GAS 67 Actuarial Valuation Report.

Trustee Johnston urged Board members to have a response to questions about why VCERA's unfunded actuarial accrued liability (UAAL) had not decreased significantly, despite a few good years of solid investment returns.

Trustee Goulet cited a chart on Master Page 327 showing that the Plan's assumption changes amounted to 91.83% of the UAAL, and noted the bulk of UAAL had nothing to do with investment earnings.

Mr. Angelo remarked that Trustee Goulet's calculation was consistent with what the report showed and that, to clarify, most of the plan's unfunded liability was not due to historical investment earnings, although the expectation of lower future earnings had an impact.

Trustee Goulet cited Master Page 279, which showed the ratio of non-active members to active members was the highest it had ever been.

Trustee Foy said that over the next few years, the County would likely have a budget surplus, which might allow for faster pay off of the Plan's unfunded liability.

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

MOTION: Approve the Adoption of the June 30, 2018 Actuarial Valuation Report.

Moved by Goulet, seconded by Bianchi.

Vote: Motion carried

Yes: Bianchi, Fox, Foy, Goulet, Hintz, Johnston, Sedell, Wilson

No: -

Absent: McCombs, Winter

Abstain: -

MOTION: Receive and File GAS 67 Actuarial Valuation Report.

Moved by Bianchi, seconded by Foy.

Vote: Motion carried

Yes: Bianchi, Fox, Foy, Goulet, Hintz, Johnston, Sedell, Wilson

No: -

Absent: McCombs, Winter

Abstain: -

Trustees Foy and Sedell left after the votes on these items.

B. Recommendation to Approve PEPRA Annual Compensation Limit.
RECOMMENDED ACTION: Approve.

1. Staff Letter.
2. California Actuarial Advisory Panel PEPRA Pension Compensation Limits for the Calendar Year 2019.

MOTION: Approve the 2019 PEPRA Annual Compensation Limit.

Moved by Goulet, seconded by Fox.

Vote: Motion carried

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

No: -

Absent: Foy, McCombs, Sedell, Winter

Abstain: -

VIII. INVESTMENT MANAGER PRESENTATIONS

A. Receive Annual Investment Presentation from Loomis Sayles, Stephanie S. Lord.

Stephanie S. Lord was present on behalf of Loomis Sayles to provide an organizational and investment performance update.

After hearing the presentation from Loomis Sayles, the Board advanced to agenda item IX.B. "Discussion of US vs. International Performance."

IX. INVESTMENT INFORMATION

NEPC – Allan Martin.

VCERA – Dan Gallagher, Chief Investment Officer.

A. Recommendation to Approve Investment: \$25M BlueBay Direct Lending Fund III.
RECOMMENDED ACTION: Approve.

1. Staff Letter by CIO Dan Gallagher.
2. Memorandum and Research Report from NEPC.
3. BlueBay Direct Lending Fund III Presentation, Danielle Hootnick and Anthony Fobel (via conference call from London).

Trustee McCombs left at 10:04 a.m. before the vote on this item.

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

MOTION: Approve Recommendation for \$25 Million Investment in BlueBay Direct Lending Fund III.

Moved by Bianchi, seconded by Foy.

Vote: Motion carried

Yes: Bianchi, Fox, Goulet, Hintz, Wilson

No: Johnston

Absent: Foy, McCombs, Sedell, Winter

Abstain: -

The Board left to break at 10:10 a.m.

The Board returned from break at 10:20 a.m.

The Board returned to agenda item VII.A. "Review and Approval of Annual Actuarial Information Report as of June 30, 2018 – Segal Consulting, Paul Angelo and John Monroe."

B. Discussion of US vs. International Performance.

1. News Article, "Tough Year for Globalists."
2. 2018 Capital Market Review and Looking Ahead to 2019.

Mr. Ferrera was present on behalf of NEPC.

Mr. Ferrera said that after reviewing the article, it involves the ongoing discussion between the Board and NEPC regarding the performance of domestic versus international stocks. He said

that Mr. Gallagher had included the 2018 Capital Market report to balance the argument for international investing.

Trustee Johnston left at 11:29 a.m. before the vote on this item.

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

MOTION: Receive and File.

Moved by Bianchi, seconded by Goulet.

Vote: Motion carried

Yes: Bianchi, Fox, Goulet, Hintz, Wilson

No: -

Absent: Foy, Johnston, McCombs, Sedell, Winter

Abstain: -

X. OLD BUSINESS

None.

XI. NEW BUSINESS

A. Notification of Pending Depletion of Non-Vested Supplemental Benefit Reserve, and Recommendation to Adopt Resolution to Terminate Benefit Reserve after June 30, 2019.
RECOMMENDED ACTION: Approve.

1. Staff Letter.
2. Resolution Providing Supplemental Retirement Allowance Pursuant to Provisions of GC 31691.1 & 31692, effective March 17, 2003.
3. Proposed Resolution to Pay Supplemental Allowance through June 30, 2019, and Subsequently Terminate.

Ms. Webb informed the Board that the \$25 million that originally funded the \$27.50 supplemental benefit would be depleted by June 2019. Therefore, staff recommended that the Board: (a) amend the 2003 Resolution by adopting a new resolution stating that the \$27.50 non-vested supplemental benefit would be paid through June 30, 2019, and then immediately terminate; and, to authorize the Chair, or Vice-Chair in the absence of the Chairman, to sign the resolution; and, (b) direct staff to retain any remaining funds in the \$27.50 supplemental benefit reserve account to pay retroactive benefits, such as disability and death benefits, to eligible retirees and/or beneficiaries, and that any funds remaining after all eligible payments were made would be transferred to the undistributed earnings account.

Vice-Chair Wilson said he was surprised that in 2003 an actuary had projected that the \$25 million would be sufficient to fund the benefit in perpetuity.

Trustee Goulet said the actuary's comment assumed there would be interest credited to the reserve account, which did not happen consistently.

Trustee Johnston returned at 11:31 a.m. before the vote on this item.

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

MOTION: Approve the Recommendation to Adopt a Resolution to Terminate Benefit Reserve after June 30, 2019.

Moved by Fox, seconded by Hintz.

Vote: Motion carried

Yes: Bianchi, Fox, Hintz, Johnston, Wilson

No: -

Absent: Foy, McCombs, Sedell, Winter

Abstain: Goulet

- B. Recommendation for Authorization for Retirement Administrator to Attend the International Federation of Employee Benefit Plans (IFEBP) Advanced Trustee & Administrators Institute, February 18 – 20, 2018, in Lake Buena Vista, FL.

RECOMMENDED ACTION: Approve.

1. Staff Letter.
2. IFEBP Advanced Trustee & Administrators Institute Agenda.

Ms. Webb noted that the event was offered on two separate dates at two different locations, and staff was open to attending the event in June, if the Board preferred.

Trustee Johnston asked which event would be better for Ms. Webb's schedule.

Ms. Webb replied that neither event would interfere with any Board meetings, but June tended to be busier because it was the end of the fiscal year.

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

MOTION: Approve Recommendation for Authorization for Retirement Administrator to Attend the International Federation of Employee Benefit Plans (IFEBP) Advanced Trustee & Administrators Institute, February 18 – 20, 2018, in Lake Buena Vista, FL.

Moved by Johnston, seconded by Bianchi.

Vote: Motion carried

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

No: -

Absent: Foy, McCombs, Sedell, Winter

Abstain: -

After the vote on this item, the Board advanced to item XI.D. "Recommendation for Authorization for General Counsel to Attend the NAPPA 2019 Winter Seminar, Tempe, AZ, February 20 – 22, 2019."

- C. Recommendation for Authorization for Up to 2 Trustees and CIO to Attend the NEPC 2019 Public Funds Workshop, Tempe, AZ, January 31 – February 1, 2019.
RECOMMENDED ACTION: Approve.

1. Staff Letter by CIO Dan Gallagher.
2. NEPC 2019 Public Funds Workshop Agenda.

Mr. Gallagher informed the Board that the estimated cost of the trip per person had changed from \$600 to \$800, as of that day.

Trustee Johnston said that if none of the current Board members could attend, perhaps the newly elected trustee, Dan Shapiro, might want to attend.

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

MOTION: Approve the Recommendation for Authorization for Up to Two Trustees and the CIO to Attend the NEPC 2019 Public Funds Workshop, Tempe, AZ, January 31 – February 1, 2019.

Moved by Johnston, seconded by Bianchi.

Vote: Motion carried

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

No: -

Absent: Foy, McCombs, Sedell, Winter

Abstain: -

Ms. Webb introduced Mr. Shapiro to the Board and stated he was scheduled to be sworn in as a new trustee at the January 7, 2019 Disability Meeting.

Vice-Chair Wilson welcomed Mr. Shapiro on behalf of the Board.

After the vote on this item, the Board advanced to agenda item XI.E. "Annual Appointment of Chair and Vice-Chair."

- D. Recommendation for Authorization for General Counsel to Attend the NAPPA 2019 Winter Seminar, Tempe, AZ, February 20 – 22, 2019.
RECOMMENDED ACTION: Approve.

1. Staff Letter.
2. NAPPA 2019 Winter Seminar Agenda.

MOTION: Approve the Recommendation for Authorization for General Counsel to Attend the NAPPA 2019 Winter Seminar, Tempe, AZ, February 20 – 22, 2019.

Moved by Goulet, seconded by Johnston.

Vote: Motion carried

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

No: -

Absent: Foy, McCombs, Sedell, Winter

Abstain: -

After the vote on this item, the Board returned to agenda item XI.C. "Recommendation for Authorization for Up to 2 Trustees and CIO to Attend the NEPC 2019 Public Funds Workshop, Tempe, AZ, January 31 – February 1, 2019."

E. Annual Appointment of Chair and Vice Chair.

1. Staff Letter.

Ms. Webb informed the Board that there was an error in staff's letter, which omitted the date that the Board had acted to delay the election to fill Mr. Towner's position, which was May 7, 2018. She said that traditionally, the December meeting was when the Board elected a Chair and Vice-Chair for the coming year, but because of the action the Board had taken in May, staff was presenting three potential actions the Board could take. The possible actions were: 1) appoint a permanent Chair and Vice Chair for 2019, per Board Charter; 2) maintain the status quo, with the Vice Chair continuing to preside as Chair, and appoint a temporary Vice Chair, postponing appointment of a permanent Chair and Vice Chair for the remainder of 2019, until the Civil Service Commission (CSC) issued a decision on the case of Mr. Towner; 3) Appoint a temporary Chair and Vice Chair to serve until after the CSC issues a decision or until a date specified by the Board.

Ms. Fox suggested that the Board appoint a temporary Chair and Vice Chair.

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

MOTION: Approve the Temporary Appointment of Chair and Vice Chair to Serve Until After the Civil Service Commission Issues a Decision Regarding Mr. Towner.

Moved by Hintz, seconded by Fox.

Vote: Motion carried

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

No: -

Absent: Foy, McCombs, Sedell, Winter

Abstain: -

Trustee Hintz nominated Trustee Wilson to serve as temporary Chair.

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

MOTION: Approve Temporary Appointment of Trustee Wilson as Chair.

Moved by Hintz, seconded by Bianchi.

Vote: Motion carried

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

No: -

Absent: Foy, McCombs, Sedell, Winter

Abstain: -

Trustee Fox nominated Trustee Johnston to serve as temporary Vice-Chair.

Trustee Johnston replied that although he appreciated the nomination, he would not be able to serve as the Vice-Chair at this time.

Trustee Johnston nominated Trustee Bianchi to serve as temporary Vice-Chair.

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

MOTION: Approve Temporary Appointment of Trustee Bianchi as Vice-Chair.

Moved by Johnston, seconded by Hintz.

Vote: Motion carried

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

No: -

Absent: Foy, McCombs, Sedell, Winter

Abstain: -

XII. INFORMATIONAL

A. Parametric Organizational Update.

XIII. PUBLIC COMMENT

None.

XIV. STAFF COMMENT

Ms. Webb reminded the Board that it was Trustee Fox's last Board meeting serving as a Trustee because she did not seek re-election.

Trustee Fox said that she had enjoyed serving on the Board and that the level of professionalism of the Board and staff left her feeling confident of the organization's ability to negotiate future rough waters.

Ms. Nemiroff informed the Board that the Court had issued a favorable decision in the Karla Dean Writ of Mandate case by upholding the Board's decision to deny Ms. Dean a service-connected disability retirement.

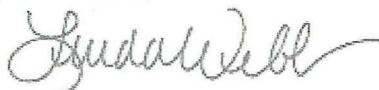
XV. BOARD MEMBER COMMENT

None.

XVI. ADJOURNMENT

The meeting was adjourned at 11:46 a.m.

Respectfully submitted,



LINDA WEBB, Retirement Administrator

Approved,



William W. Wilson, Vice-Chairman