

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

FINANCE COMMITTEE MEETING

MAY 13, 2024

MINUTES

TRUSTEES PRESENT: Greg Bergman Elected General Member
Arthur E. Goulet Retired Member
Anthony Rainey Appointed Member

TRUSTEES ABSENT: None.

STAFF PRESENT: Amy Herron, Retirement Administrator
Lori Nemiroff, General Counsel
Dan Gallagher, Chief Investment Officer
La Valda Marshall, Chief Financial Officer
Betsy Byrne, Chief Operations Officer
Leah Oliver, Chief Technology Officer
Brian Owen, Sr. Information Technology Specialist
Michael Sanchez, Sr. Information Technology Specialist
Chris Ayala, Program Assistant

PLACE: Ventura County Employees' Retirement Association
Second Floor, Boardroom
1190 S. Victoria Avenue, Suite 200
Ventura, CA 93003

TIME: 1:30 p.m.

ITEM:

I. CALL TO ORDER

A. Roll Call.

Chair Bergman called the Finance Committee meeting on May 13, 2024, to order at 1:30 p.m.

Roll Call:

Trustees Present: Greg Bergman, Art Goulet, Tony Rainey.

Trustees Absent: -

II. APPROVAL OF AGENDA

MOTION: Approve.

Moved by Rainey, seconded by Goulet

Vote: Motion carried

Yes: Bergman, Goulet, Rainey

No: -

Absent: -

Abstain: -

III. APPROVAL OF MINUTES

A. Finance Committee Meeting Minutes of February 12, 2024.

Trustee Goulet provided some minor corrections to the minutes. Additionally, he said under item VIII. Committee Member Comment, Chair Bergman requested the "Scope of Work" for the new Accounting Software so that they could provide some insight regarding what the committee was looking for in the new Financial Software System. He then asked when staff believed they would be coming to the committee with a recommendation for the new software so that they could review and comment on their recommendation.

Ms. Herron replied that staff planned to discuss that with the committee during agenda item V.C., "Review of Draft Fiscal Year 2024-2025 Proposed Budget."

MOTION: Approve as Amended.

Moved by Goulet, seconded by Bergman

Vote: Motion carried

Yes: Bergman, Goulet, Rainey

No: -

Absent: -

Abstain: -

IV. OLD BUSINESS

A. None.

V. NEW BUSINESS

A. Receive and File Fiscal Year 2023-24 Quarterly Budget Summaries and Financial Statements (Unaudited).

RECOMMENDED ACTION: Receive and File

1. Staff Letter from Chief Financial Officer.
2. Budget Summaries.
3. Financial Statements.

Ms. Marshall presented a brief overview of the Fiscal Year 2023-24 Quarterly Budget Summaries and Financial Statements (Unaudited) to the committee.

Chair Bergman commented that comparative statements year over year could be useful to understand where the changes are. Trustee Rainey stated that showing the prior year on the balance sheet (i.e. Statement of Fiduciary Net Position) can help show where the increases are and provide additional context for the changes. Trustee Rainey suggested showing the same quarter end from the prior year for comparison. Chair Bergman suggested showing the prior fiscal year end of June 30 (from the ACFR) for comparison and Trustee Rainey agreed that would work. Chair Bergman also suggested showing the prior year for comparison on the budget summaries to gauge trends.

Trustee Goulet suggested labeling the Beginning of Year and Ending Balance lines on the Statement in Changes in Fiduciary Net Position with dates to clarify (e.g. July 1, 2024 and December 31, 2023).

Trustee Goulet provided some suggested corrections related to spelling and grammar for the staff letter. He noted that there should be explanation of why the IT Exempt From Cap budget in the chart shows \$1.7m but the narrative references \$1.8m (due to the two units combined – cap and exempt from cap).

Chair Bergman said that it would be helpful if budget summaries and financial statements had comparative information year-over-year so that they could delineate the information in the reports.

Trustee Rainey agreed and said that it would provide much-needed context.

Ms. Marshall clarified that she believed they were requesting that they show this comparative information on the unaudited financial statements, similar to the one that was presented on a quarterly basis, which staff should be able to provide, but she would look into it to ensure they could.

Trustee Rainey asked if staff had the Statement of Net Position from the 2023 Annual Comprehensive Financial Reports (ACFR) that could be provided so that the committee could compare them to the quarterly statements.

Ms. Marshall said that staff did have the financial report from the ACFR, and staff could provide it to the committee.

Ms. Herron then asked about the Statement of Changes in Net Position, since it was already provided on the next page, but you would still like to see a comparison to a prior period, just clarifying.

Chair Bergman said that he was not as concerned with the Statement on Changes in Fiduciary Net Position as he was with the Balance Sheet. As for the Budget Summary Fiscal Year 23-24, he would like to see the prior year's numbers as well, as a gauge to see the trends.

Trustee Goulet added that this could be accomplished by adding another column to the report and pull the information from the ACFR. Also, staff should identify the beginning of the year as June 30, 2023, and the ending balance, in this particular case, as December 31, 2023.

Ms. Herron replied that staff could easily change that for the committee.

Trustee Goulet then said that on page 4 of 6, under the line "County of Ventura Treasury" which displayed the amount of cash available, staff should add another line under that because the way it appeared the amounts did not add up correctly

Ms. Herron said that it was a formatting issue because it was the subtotal line right before the total. Also, she stated that staff would not be able to apply the changes to include the additional information before the Board meeting on May 20th, however, they could potentially have it information added in time for the Finance Committee meeting in June.

Ms. Marshall agreed that staff would be able to have the information available for the Finance Committee meeting in June.

MOTION: Receive and File Fiscal Year 2023-24 Quarterly Budget Summaries and Financial Statements (Unaudited), with Recommended Edits.

Moved by Rainey, seconded by Goulet

Vote: Motion carried

Yes: Bergman, Goulet, Rainey

No: -

Absent: -

Abstain: -

B. Receive and File Mid-Year Budget Update for Fiscal Year 2022-23

RECOMMENDED ACTION: Receive and File

1. Staff Letter from Chief Financial Officer.
2. Mid-Year Budget Summary for FY 2023-24.

Ms. Marshall presented the Mid-Year Budget Update for Fiscal Year 2022-23 to the committee.

Trustee Rainey asked why the Mid-Year Budget Report seemed to be very late, given that it was already May. Ms. Herron replied that staff typically would try to provide the report to the committee in February, which she believed was also a part of their policy. However, it was her understanding that this year the report was late because of a few factors, including the re-organization of some of the staff because of certain projects, which was sort of an anomaly this year that staff would correct for next year. In addition, the Finance Committee had cancelled the April meeting due to committee member scheduling issues.

Chair Bergman asked if the budget summaries (i.e. operational budget) could be presented timelier as preliminary, separate from the financial statements which include the investment accounting. Ms. Marshall stated that the current financial system does not allow staff to have more than one period open at a time, so each month must close before staff can enter the transactions for the next month. If the budget summaries were provided as preliminary, they may not have all of the due diligence steps applied at that point due to the sequential nature of the process in the financial system. Ms. Herron stated that staff could report back at the June committee meeting regarding staff's ability to accommodate this request.

Ms. Marshall explained that staff track the actual expenses in spreadsheets until the accounting periods are opened up, and that the mid-year projection through December 31, 2023 actually includes actual expenses from those spreadsheets through April 2024.

Trustee Rainey suggested preparing an organizational chart that shows the vacancies to help better understand the salaries and benefits. Ms. Herron explained that the vacancies were primarily due to new positions: 1) investment officer, and 2) fixed-term positions relating to the Alameda project. The vacancies were not due to staff turnover.

Trustee Rainey suggested that the Contingency amount be shown as a separate line after the rest of the totals, so that a comparison could be done to determine whether in total the projection was over/under budget and therefore whether Contingency needed to be used.

Chair Bergman asked if the Contingency amount in the report requires full Board approval for any portion of it to be used, then why mention it in the report? Ms. Herron said that she would have to review the policy to confirm that the contingency fund required Board approval for any portion of it to be used, since staff has not had to use any of the funds from the contingency account before. So, staff would look into that question and return to the Finance Committee with their findings.

MOTION: Receive and File the Mid-Year Budget Update for Fiscal Year 2023-24.

Moved by Rainey, seconded by Goulet

Vote: Motion carried

Yes: Bergman, Goulet, Rainey

No: -

Absent: -

Abstain: -

C. Review of Draft Fiscal Year 2024-2025 Proposed Budget.

RECOMMENDED ACTION: Adopt.

1. Proposed Budget for FY 2024-25.
2. Budget Presentation from Chief Financial Officer.

Ms. Marshall presented the Draft Fiscal Year 2024-2025 Proposed Budget to the Finance Committee for their review.

Chair Bergman said that he would like to see staff provide a Fixed Asset listing that showed the acquisition costs and when the asset was acquired. Ms. Marshall said that she could provide it to them.

Trustee Goulet noted that the budget stated that the Communications Officer position was replaced by a Public Information Officer position, which should be noted in the report. Ms. Herron agreed and said that they could add the explanation to the report.

Trustee Rainey said that staff should consider rewording or providing an explanation regarding the Total Budgeted Increase in salaries amounts, because one may think that all VCERA staff was receiving a merit or salary increase, when the amount in the budget was due to several factors, such as Merit Increases, General Salary Increases (GSI), as well as other things. Ms. Marshall acknowledged Trustee Rainey's suggestion and agreed.

Trustee Goulet provided some spelling and grammar corrections. Ms. Marshall thanked Trustee Goulet for his suggested corrections.

Trustee Rainey suggested that staff include the definition of the "Contingency Fund" for the public so that they understand that the funds were not touched by VCERA unless it was approved by the Board. He also believed that there should be clarification regarding Full-Time Equivalents (FTE) and "Partial FTE's because there could be 10 positions, but only 8 of which were FTE's.

Trustee Goulet then noted that the 2 Sr. IT Specialists positions should be consolidated under position 01711 since the positions were the same. Ms. Marshall agreed.

Chair Bergman asked if it would be possible to quantify the components in the budget that were related to the Alameda Decision, such as increased expenses relative to it since he had seen a couple of comments, but he was confident that there was more than what was presented.

Ms. Herron replied that staff had provided a separate page about the Alameda Decision last year, which summarized all the new items. Also, some items were specifically related to the Alameda Decision, and some were indirectly related which was not easy to quantify, but she believed that staff could provide a high-level bullet point list of at least the items that were very specific to the Alameda Decision.

Chair Bergman said that he would like to see a comprehensive list of the costs associated with the Alameda Decision represented in the budget, without regard to the detail of costs that were commingled for multiple items.

Ms. Nemiroff added that to address Trustee Goulet's comment, staff could add a footnote to state that only a small percentage of the Alameda expenditures were related to the "straddling corrections" since there were many other corrections that needed to be done, such as flex credit, standby pay, etc. and so straddling was just a very small component of that expense. Chair Bergman said that he was fine with including a footnote to that effect.

Chair Bergman asked what kind of internal audit services were being postponed, since there were funds in the budget for one. Ms. Marshall replied that regarding the internal audit, for the past couple of years VCERA had put funds in the budget for an internal audit, then at one of the prior Finance Committee meetings it was decided that because the Alameda project coming the internal audit project would be postponed. Ms. Herron said that staff could provide him with the minutes of the meeting where that list was discussed.

Ms. Oliver then provided an overview of the Technology Budget to the committee.

Chair Bergman requested a list of all the re-budgeted items. Ms. Herron replied that staff would provide an additional slide in the presentation with a bullet point list of all of the re-budgeted items.

MOTION: Recommend that the Board of Retirement Adopt the Fiscal Year 2024-2025 Proposed Budget.

Moved by Rainey, seconded by Bergman

Vote: Motion carried

Yes: Bergman, Goulet, Rainey

No: -

Absent: -

Abstain: -

D. Proposal for New Budget Summary Report.

RECOMMENDED ACTION: Provide Direction to Staff.

1. Letter from the Retirement Administrator and Chief Financial Officer.
2. Proposed Budget Summary Report Sample.

Chair Bergman presented an overview of a proposal for a New Budget Summary Report to the committee for discussion.

Trustee Rainey noted that he had sent an email to the committee with some suggested changes and additions, which he explained to the committee for their consideration.

MOTION: Approved the Proposed New Budget Summary Report, with Amendments.

Moved by Bergman, seconded by Rainey

Vote: Motion carried

Yes: Bergman, Goulet, Rainey

No: -

Absent: -

Abstain: -

Ms. Herron asked if staff could have some latitude in terms of implementing the requested changes because the final report might not look exactly like it was proposed, but it will have all the main elements that were requested. Chair Bergman replied that it would be fine.

VI. PUBLIC COMMENT

None.

VII. STAFF COMMENT

Ms. Herron said regarding the proposed new budget summary report, she appreciated the time and effort that the committee put into improving their processes.

Ms. Marshall also wanted to thank the Finance Committee for their feedback on the budget and other agenda items. Additionally, she wanted to also thank the other VCERA staff for their support as well as her fiscal team.

VIII. COMMITTEE MEMBER COMMENT

Trustee Rainey said that he wanted to thank the other Finance Committee members and VCERA staff for their opinions and perspectives, which helped to provide a better final product.

IX. ADJOURNMENT

The Chair adjourned the meeting at 4:57 p.m.

Approved,



GREG BERGMAN, Finance Committee Chair