VENTURA COUNTY
SUPPLEMENTAL RETIREMENT PLAN COMMITTEE
Channel Islands Conference Room
May 6, 2021
2:00 p.m.

Members Present	Members Absent	Also Present
Kaye Mand		Patti Dowdy
John Polich		Wanda Crane
Shawn Atin		Amanda Diaz
Jeff Burgh		Tracy Sewell
Steven Hintz		Anna Toy
		Eric Lee

Ms. Mand called the meeting to order at 2:03 p.m.

1. **Public Comments:** None.

2. **Committee Member Comments**. Ms. Dowdy provided an update on the status of the new SRP 457 Plan. She stated the Plan was now live and the first outbound process to Fidelity was completed today with 14 new participants and a total contribution amount of $960. She advised that the next step in the implementation was to contact the active Safe Harbor participants to provide them the option of opting out of the new 457 Plan.

3. **Minutes of December 3, 2020.** Mr. Atin moved, and Mr. Polich seconded to approve the minutes. The motion carried.

4. **Wells Fargo Semi-Annual Investment Review**. Mr. Eric Lee, Senior Portfolio Manager, Wells Fargo, began with an introduction and brief overview of the transition from Wells Fargo to Principal. Mr. Lee then introduced Ms. Anna Toy, Relationship Manager, Wells Fargo. Ms. Toy noted that they will be coordinating a bulk lump sum transfer of funds rather than individual transfers for the conversion of 80% of the accrued present value of the Safe Harbor defined benefit being rolled over to the SRP 457 Plan. Ms. Toy asked Ms. Dowdy about how many assets are anticipated to be transferred out. Ms. Dowdy replied that there are about 600 active employees in the plan, but there is not a current estimate of assets. Ms. Toy then asked about the timing for the transfer and when to expect it to take place. Ms. Dowdy responded that we anticipate the conversion of benefits for those that opted-in to the SRP 457 to take place by the end of the year. Ms. Toy reminded the Committee that there was a recent administrative fee reduction for services in 2020. If the assets lower due to this conversion opportunity the fees may go up. Mr. Atin asked how much the fees will go up. Ms. Toy stated that the fees reduce 5bps for every $5M in assets. The plan is greater than $30M. The plan was at 40bps, and went down to 30bps in October of 2020, the estimate is that we will retain approximately 40-60% of assets. Ms. Toy noted that there will be a "quiet period" from July 1 through the end of September that prohibits new accounts from being opened or closed (note: payments will not be affected), as Wells Fargo will be taking a snapshot for a smooth transition to Principal. Ms. Toy moved on the discuss that there will be more communications sent out as the transition to Principal gets closer. She noted that Wells Fargo held a webinar this past April, and there will be additional information communications provided as we get closer to the transition in September. Mr. Lee provided a brief overview of the upcoming transition from

Wells Fargo to Principal and noted that there will be a share class change from F to N Class due to the transition. The F class provides a good price point. The change from F to N class will take place since Wells Fargo will no longer be the fiduciary. The N class is a collective fund, and Wells Fargo will be paid to be trustee of the fund. There will be a bit of a change with the collective fund, it will go from 40bps down to 30bps, CIP or F are Wells Fargo collective funds. For the expense ratio, the current market value F-N class shows the difference in class. F class is 3bps less expensive in the 1st three funds, and the 4th fund is 5bps more expensive. The legacy pricing is good through the end of December 2021, and Principal will then renegotiate the N class prices. The expense ratios for N to F class are 0.024%, 2.4bps; $8,344.38 more expensive than in December 2020. Mr. Lee noted that the renegotiations caused expenses to be lower by 1bps, and that some plans were affected more than others. The cost is expected to go down from 2.4bps down to 1.5bps; it will be an increase of 5,000 vs. 8,000 using the asset value of funds as of the end of March. Mr. Lee then proceeded to review the current market status and equities. He noted that things are going well and the indices used are reflected on page 2 of the packet provided. In Q1, the market was up 6.2%, but it seems to have slowed since the end of the quarter for the S&P. Over the past year, the returns for the S&P were up over 56%, and over the past 3-5 years it has been up 16%. It has been a tremendous time for the markets; the Federal Reserve, current Administration and Congress are placing money into the economy and it has created a great deal of optimism. The recently fed optimism has encouraged the markets, there has been 6% growth in QDP in the first quarter of the calendar year, it has been the strongest since 1951 and there are a lot of expectations. Investors are expecting a stronger recovery. Stocks such as Google, Netflix, and Apple have not kept up with value stocks as they tend to do better in a recovering economy. Fixed income stocks did well last year, and corporate rates increased. Government securities are fueling corporate bonds, interest rates are higher with the expectation of inflation; there is pressure on bonds and corporate rates are moving closer to government rates. Mr. Lee then moved on to discuss interest rates. Looking at the 10-year Treasury, it went from 0.94% the previous quarter to 1.74% at the end of March. Longer term rates are higher, and shorter rates are lower. Then, Mr. Lee reviewed the cash flow. There are $885,000 in gains for Q1 2020, with -$46,000 in net contributions for the plan. The Fiscal YTD and net contributions are $58,000, and $5.6M in gains. Since the account's inception, there has been over $24M in gains, and over $6M at one time. Over the past ten years, the plan has been up over $19M in gains, and contributions of over $3.4M. The contributions offset the distributions with gains that allowed account growth. Next, Mr. Lee moved on to the explain the Investment Policy Summary. All the large, mid, and small cap investments were tight to their respective benchmarks. There was a variance due to rebalancing around the 15th/16th of the month. Small caps are the largest underweight, large cap growth has performed the best, and small cap has struggled a bit. Mr. Lee noted this may change as things proceed as there is movement away from small cap. There are currently 60% of investments in equities, 39% in fixed income, and 1% in cash and cash equivalents. Then, Mr. Lee highlighted the structure of the portfolio. Regarding equities, the three largest held funds are Index F funds, they are low cost, the market is being tracked, and Wells Fargo is keeping an active strategy for these investments The Russell 2000 Index F fund, Vanguard Emerging Mkts Stock Idx Admin, and Wells Fargo/BlackRock Intl Eq Idx F funds give us global exposure, and there are emerging markets in places such as China, India and Brazil. For fixed income, there were two mergers for domestic, and Invesco added mid-cap and international bonds two years ago. Mr. Lee discussed performance, with performance being a little under the benchmark this quarter, the small cap experienced underperformance with the net numbers and it has been challenging with only a couple of managers for those funds. The small cap and international bonds are easier to meet the benchmark and they also add value to the portfolio. Mr. Lee stated that small caps underperformed this quarter, and the fiscal YTD. There is an active strategy, and the reason that the benchmark is up 13%. The large and small cap managers did not keep pace in the market, but those markets roll over to more fundamentally driven, and the active managers are better over time. Regarding fixed income, the small cap did well. Interest rated rise in Q1, but there has been a shift due to expectations of inflation. International bonds also underperformed, and dd poorly in the International bond space. International bonds have been up 21% over the last years; he noted that over time these will add value to the portfolio. Mr. Lee added that active bonds have helped performance over the last quarter, and over the last 12 months. Lastly, Mr. Lee provided a performance summary. He noted that there has been lots of good news for the quarter overall, and there is an optimistic outlook in the economy going forward. Although we should be cautious, it appears that we will close out the fiscal year strong, but there may be a 10-15% correction due to the overall surge in the market as the market has gotten ahead of itself. There is overall optimism for the market, although there are some underlying issues. In the nearer term, some of these concerns are related to rates increasing and inflation. Wells Fargo advises their clients to stay fully invested and that staying the course is the best approach. Mr. Atin moved, and Mr. Burgh seconded to receive and file the information. The motion carried.

5. **Informational Agenda.** Ms. Dowdy provided a copy of the Wells Fargo webinar on the migration of Wells Fargo to Principal to Committee, which provided a timeline for the transition, and detailed the migration process.

Ms. Mand adjourned the meeting at 2:45 p.m.

Respectfully submitted,

Amanda Diaz

Amanda Diaz
Safe Harbor Plan Coordinator