

**VENTURA COUNTY
DEFERRED COMPENSATION COMMITTEE
401k Shared Savings Plan
CEO Anacapa Conference Room
June 17, 2021
2:00 p.m.**

Members present

Shawn Atin
John Polich
Jeff Burgh
Steven Hintz

Members absent

Kaye Mand

Also present

Patti Dowdy
Patty Zoll
Andrew Kremer
Tracy Sewell
Suzanne Rogers
Joan Steel
Jake O'Shaughnessy
Phil Haslam

Judge Hintz called the meeting to order at 2:06 p.m.

1. **Public Comments.** None.
2. **Committee Member Comments.** None.
3. **Minutes of Regular Meeting March 31, 2021.** Mr. Atin moved, and Mr. Burgh seconded to approve the minutes. The motion carried.
4. **SageView Advisory Group 1Q 2021 Investment Review.** Mr. Jake O'Shaughnessy, Managing Director SageView Advisory Group LLC, began his presentation with a review of the Ventura County Watch List Summary. He stated that when funds in the menu fall below the median quartiles, they will then be placed on the watch list, and can then be replaced or taken off the list. Three funds are on the watchlist summary: Columbia Income Opportunities Inst3, Fidelity Contrafund K6, and Fidelity Overseas K are currently not meeting expectations. Mr. O'Shaughnessy also highlighted the Lord Abbett Affiliated R6 fund as an underperformer, he recommended that this fund be placed on the Watch List. He commented that all other funds in our plan are meeting the expectations of the Committee and that overall, the plan is in excellent shape.

Mr. O'Shaughnessy then reviewed the major headlines: stimulus impacts, the economic bounce back, U.S. out front on vaccination efforts, and retail trading. In early March, Congress approved the \$1.9 trillion American Rescue Plan Act, which boosted the stock market to new highs. The new stimulus has raised inflation concerns, with the longer end of the yield curve steepening. The U.S. and the U.K. are leading in vaccine rates worldwide. The resulting vaccine rates are helping with the economic bounce back. However, there have been some areas of concern with the economy. Many labor sectors are understaffed due to the workforce not returning. After the American Rescue Plan Act was implemented, stocks were trading high based on expectations but that high has adjusted down. Materials and labor costs are rising. Overall, there is still a positive glow to the economy but a little less so than three months ago.

Next, Mr. O'Shaughnessy discussed Federal finances, stating that the debt appetite is low for government as the ratio between the GDP and federal debt level is projected to increase in the remainder of 2021. Discussions on how to generate revenue at the federal level include limiting the catch-up provision to Roth accounts only. Mr. O'Shaughnessy suggested to make sure our Roth plan is tidied up by confirming that all the Roth tools are accessible and available to participants.

Mr. O'Shaughnessy went on to discuss Value vs. Growth and cautioned members not to make long term decisions on short term gains. Despite a massive rebound in Q1, value stocks remain cheap by historical standards relative to growth stocks. Value stocks are experience renewed interest from investors, who are attracted by cheap prices and relatively high correlations to GDP in an environment where global growth is accelerating.

Interest rates were discussed, and it was noted that long term rates have returned to pre-Covid rates, short term rates have not returned to their previous position. Mr. O'Shaughnessy went on to discuss how inflation impacts investment strategies. He also went on to discuss the section in the Plan Investment Review document on page 18, titled "The Meaning of Retirement". According to the statistics, people are choosing to work longer. Reasons for this varies but Mr. O'Shaughnessy suggested that the way we message the plan may need to change as the meaning of retirement changes.

To close out the general review update, Mr. O'Shaughnessy suggested that issues to discuss in more detail in the future include:

- Cybersecurity
- Participant Data

Fund Discussion

A quick review of the list of asset allocation by fund highlighted the Fidelity Contrafund K6 as the leading fund with assets over 100 million. The *Lord Abbett Affiliated R6* fund was pointed out by Mr. O'Shaughnessy as underperforming and recommended that it be added to the Watch List.

A motion was called for to keep the three current funds on the Watch List:

- Columbia Income Opportunities Inst3 (High Yield)
- Fidelity Contrafund K6 (Large Growth)
- Fidelity Overseas K (Foreign Large Growth)

And to **add the Lord Abbett Affiliated R6 fund to the Watch list** and to receive and file the report. Mr. Burgh moved, and Mr. Atin seconded. The **motion carried**.

- 5. Fidelity Investments Quarterly Service Review.** Ms. Suzanne Rogers, Senior Vice President, Managing Director, began her presentation with the Plan assets. The total plan assets as of Q1 2021 are \$1.4B. There are 9,926 total participants in the plan, this includes active and termed participants. Seventy-five percent (75%) of active/eligible participants are contributing to the plan.

The process by which new enrollments are tracked. In the last twelve months, 639 employees have enrolled using either the Easy Enroll option (31%) or the Online/Mobile Enrollment option (69%).

Ms. Rogers touched on the employee elective deferral rate, which currently stands at 41% of active employees are deferring 8% or more of their compensation to the retirement plan. Twenty-seven percent (27%) of participants are enrolled in the Annual Increase Program. It was suggested to implement a plan design that encourages participants to achieve a 15% total savings rate.

Most plan participants (74%) have an equity allocation that is aligned with a Target Retirement Date. The largest sector of that group (55%) is in the under 30-year-old range, with the 30-39 age group close behind (51%).

Next, Ms. Rogers went over the Loan and Withdrawal Activity as of Q1 2021. She stated that all the statistics included CARES Act activity. The percentage of Plan participants with a hardship withdrawal comes in at 10.7% in the previous twelve months in comparison to the Peer Group Average in the previous twelve months of 6.4%. Just under 10% of total participants have a loan, and of that group, the largest generational cohort is the Gen X group with 38.4% of the total loans.

Fidelity has been focusing on cyber security and digital enablement; they want to make sure participants are secure. Ms. Rogers suggested a future presentation on cyber security that would include Fidelity experts and County IT security. Ms. Rogers volunteered to arrange for the Fidelity cyber security team to lead the presentation.

Next, Mr. Haslam reviewed the employee engagement for the previous quarter including the different modes and strategies that are used to communicate with employees. Mr. Kremer indicated that his access to employees has improved due to the virtual meeting platform. He reports that the "Ask Fidelity" sessions have been appreciated by employees as an effective use of their time. The sessions are designed to be 15 minutes of specific topic content followed by 15 minutes of Q&A.

Mr. Atin moved, and Mr. Burgh seconded to receive and file the information. The **motion carried.**

6. **401(k) Plan Document Amendment.** Ms. Dowdy gave background on the Ventura County Ambulatory Care Clinic System integration process. The VC Ambulatory Care System is currently undergoing a large-scale integration to assume operational control of 18 affiliated primary care clinics that are currently operated through professional services and operations agreements (PSOAs) between the County of Ventura and the medical corporations operating those 18 clinics. Part of this integration will include the transition of the primary care clinic physicians and pediatricians to County employment. These employees will be covered by the new Memorandum of Agreement (MOA) between the Union of American Physicians and Dentists (UAPD) and the County. The Board of Supervisors approved this MOA on April 20, 2021.

Ms. Dowdy explained that included in the MOA is the eligibility requirements for these employees to participate in the County-sponsored 401(k) deferred compensation plan, and to be eligible for a County match of their contributions of up to three percent (3%) of base pay. The UAPD MOA defines an eligible employee as a Regular Employee employed as either a Primary Care Clinic Physician or a Primary Care Clinic Pediatrician. The agreement further defines a "Regular Employee" as an employee who

holds an allocated full-time or less than full-time position in the County budget, excluding, but not limited to, extra-help, fixed term, or intermittent employees, enrollees in training programs, and independent contractors. Currently, the 401(k) Plan document limits eligibility to regular full-time or part-time employees with a work schedule of 40 hours per biweekly payroll. Since the UAPD MOA does not stipulate an hour requirement for participation eligibility, the 401(k) Plan document will need to be amended to remove the bi-weekly hour requirement for UAPD represented participants.

Ms. Dowdy presented the Committee with the Resolution of the Board of Supervisors for the first amendment to the 401(k) Plan document to make the necessary changes to allow for the UAPD negotiated benefits. She explained that the 457 Plan document does not require an amendment as it does not contain a work schedule requirement for participation eligibility. She went on to inform the Committee that the UAPD employees will transition to County employment on June 27th. The eligibility requirements need to be amended prior to this date but due to the timing requirements for submittals to the Board of Supervisors, this item has been submitted for the June 22nd consent agenda pending Committee approval.

Mr. Atin moved, and Mr. Burgh seconded to approve the Resolution for the first amendment to the Amended and Restated 401(k) Shared Savings Plan for submittal to the Board of Supervisors allowing for the UAPD negotiated benefits to be implemented. **The motion carried.**

- 7. Revenue Credit Allocation.** Ms. Dowdy gave background information on the Revenue Credit Allocation. She explained that through the Plans fixed basis point pricing structure with Fidelity, any recordkeeping fees more than the negotiated rate for service are returned to the Plan through the Revenue Credit Program (RCP). All amounts over the negotiated rate for record keeping services are placed in a non-interest-bearing account within the Plans, known as the Excess Revenue Credit (ERC) account. The funds maintained in this ERC account must be used to benefit all participants and can be accessed by the Plan only to pay for administrative costs and operating expenses. The funding available through the RCP has allowed the Committee to waive the quarterly participant fee since 2012. Ms. Dowdy explained that although using revenue share to pay or offset plan administration fees is permissible, generating an excess amount of revenue share beyond the annual required plan fees and expenses can be deemed imprudent. Any amount that is not utilized for plan administrative purposes should ultimately be allocated back to participants. This allocation was addressed in the amended Plan documents, dated December 2016. Since that time, the Committee has approved allocations of the ERC balance to participants in 2017, in the amount of \$410,517.01 and in 2018, in the amount of \$855,971.40.

Ms. Dowdy went on to say that when the decision to begin allocating a portion of the RCP account back to participants was made, the stated objective was to maintain a balance of one-year of plan administrative expenses, or approximately \$600,000. This was to ensure continued funding for Plan administrative expenses to prevent having to reinstate the quarterly participant fee. To be certain that the stated balance objective was met, allocations were not completed in 2019 and 2020 to assess the impact the fund action completed in 2020 would have on the amounts available through the RCP account. Since participant allocations were not transacted in 2019 and 2020, the ERC balance has grown to \$1.2 million combined between both the 401(k) and 457 plans. Ms.

Dowdy stated that opting to credit a portion of these funds back to participants will address the continued growth of the RCP account and ensure the funds are being used in a careful and reasonable manner. She gave her recommendation to allocate 45% of the current balances back to participants, which equals approximately \$558,000 to participants, leaving the targeted balance of \$600,000 in the ERC fund.

Mr. Burgh moved, and Mr. Atin seconded to direct staff to process a revenue credit of 45% of the ERC balance for the 401(k) Shared Savings Plan and the Section 457 Plan back to participants. **The motion carried.**

8. **Information Agenda.** Ms. Dowdy reviewed the Expense Revenue Credit Account, Q1 Safe Harbor Hardship Withdrawals, and Facts and Circumstances withdrawals. Also included was the Ventura County 401(k) Fee Disclosure 2021, which had been distributed via email on 4/29/2020. Ms. Dowdy also included an interesting article from Fidelity on racial inequalities in financial wellness, titled "*Racial Inequalities in Financial Wellness*".

Mr. Burgh moved, and Mr. Atin seconded to receive and file. **The motion carried.**

Judge Hintz adjourned the meeting at 3:06 p.m.

Respectfully submitted,



Patty Zoll
Deferred Compensation Program Administrator

**VENTURA COUNTY
DEFERRED COMPENSATION COMMITTEE
Section 457 Plan
CEO Anacapa Conference Room
June 17, 2021
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Members present

Shawn Atin
John Polich
Jeff Burgh
Steven Hintz

Members absent

Kaye Mand

Also present

Patti Dowdy
Patty Zoll
Andrew Kremer
Tracy Sewell
Suzanne Rogers
Joan Steel
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Phil Haslam

Judge Hintz called the meeting to order at 3:07 p.m.

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2. **Committee Member Comments.** None.
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Mr. Atin moved, and Mr. Burgh seconded to receive and file the information. The **motion carried.**

6. **Revenue Credit Allocation.** Ms. Dowdy gave background information on the Revenue Credit Allocation. She explained that through the Plans fixed basis point pricing structure with Fidelity, any recordkeeping fees more than the negotiated rate for service are returned to the Plan through the Revenue Credit Program (RCP). All amounts over the negotiated rate for record keeping services are placed in a non-interest-bearing account within the Plans, known as the Excess Revenue Credit (ERC) account. The funds maintained in this ERC account must be used to benefit all participants and can be accessed by the Plan only to pay for administrative costs and operating expenses. The funding available through the RCP has allowed the Committee to waive the quarterly participant fee since 2012. Ms. Dowdy explained that although using revenue share to pay or offset plan administration fees is permissible, generating an excess amount of revenue share beyond the annual required plan fees and expenses can be deemed imprudent. Any amount that is not utilized for plan administrative purposes should ultimately be allocated back to participants. This allocation was addressed in the amended Plan documents, dated December 2016. Since that time, the Committee has approved allocations of the ERC balance to participants in 2017, in the amount of \$410,517.01 and in 2018, in the amount of \$855,971.40.

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Mr. Burgh moved, and Mr. Atin seconded to direct staff to process a revenue credit of 45% of the ERC balance for the 401(k) Shared Savings Plan and the Section 457 Plan back to participants. **The motion carried.**

7. **Information Agenda.** Ms. Dowdy reviewed the Expense Reimbursement Credit Account and Q1 Emergency Withdrawals. Also included was the Ventura County 457 Fee Disclosure 2021.

Mr. Burgh moved, and Mr. Atin seconded to receive and file. **The motion carried.**

Judge Hintz adjourned the meeting at 3:10 p.m.

Respectfully submitted,



Patty Zoll
Deferred Compensation Program Administrator