VENTURA COUNTY
DEFERRED COMPENSATION COMMITTEE
401(k) Shared Savings Plan
Channel Islands Conference Room
December 3, 2020
2:00 p.m.

<u>**Members present**</u>	<u>**Members absent**</u>	<u>**Also present**</u>
Shawn Atin		Patti Dowdy
Kaye Mand		Wanda Crane
John Polich		Amanda Diaz
Jeff Burgh		Tracy Sewell
Steven Hintz		Suzanne Rogers
		Joan Steel
		Jake O'Shaughnessy
		Phil Haslam
		Andrew Kremer
		Kory Hoggan
		Stuart Payment

Ms. Mand called the meeting to order at 2:05 p.m.

1. **Public Comments.** None.

2. **Committee Member Comments.** None.

3. **Minutes of Regular Meeting August 20, 2020.** Mr. Burgh moved, and Ms. Mand seconded to approve the minutes. The motion carried.

4. **SageView Advisory Group 3Q 2020 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. Several funds were on the watchlist and they have improved, right now the County's funds are in a good state. He added that every fund in our plan is meeting the expectations of the Committee; a log is kept with all action taken. Ms. Joan Steele said to wait a couple years and then we can look at the investment menu, there may be an opportunity to reduce the investment lineup to have less overlap and/or redundancy in categories. Mr. O'Shaughnessy then added that having fewer options may not be as overwhelming for participants, but also to keep in mind the overlay of the culture of the client is important. When or if funds underperform, we can eliminate those at that time. For example, if there are three funds in a large cap, would the Committee want to remove a well performing fund? There was a discussion about having more than one fund in each category and possibly eliminating funds, and if it's worth keeping only your best performing funds. It was noted that our funds from a performance standpoint are doing well and if some funds in the same category were to be eliminated, we'd have to set a high bar. Since everything is performing well, it's more a question of do you keep what you have or streamline the menu; according to Mr. Andrew Kremer, Fidelity Dedicated Retirement Planner, it's very rare to hear from participants that they are overwhelmed with the investment choices, they are able to choose their fund(s) and add other funds as well. With Fidelity's personalized advice, there is a larger menu to select from when diversifying. Mr. O'Shaughnessy continued with a review of the Fund Performance Summary which lists each fund in the plan, of which all funds were above median. There may be an opportunity to "prune" around certain types of categories to eliminate some of the investment options. Mr. Atin

suggested that at the next meeting they look at what it would look like if they considered narrowing down the funds. Mr. Atin also mentioned that the Committee could select only the best funds within the plan, and it would possibly look at outside funds if we don't have one. Mr. O'Shaughnessy added that this is a continuous process that the Committee has been on, and SageView can look at this. Next, he discussed the Asset Allocation by Fund, noting that we need to look at every dollar in the fund. As a fiduciary, we need to understand how people are using our plan; the #1 fund is a largely held fund (Fidelity Contrafund K6), the #2 fund is Fidelity Freedom 2020 K. The Fidelity 500 Index (#3 fund) is very passive, the #5 fund is self-directed with over $60M in plan assets. There are a significant portion of participants that have placed assets into self-directed funds, and all the funds in the top five funds are different types of investments. Next, Mr. O'Shaughnessy reviewed the Manager Diversification which provides a breakdown of plan assets by asset type. Stable value funds have a $31B value, and many employees may have other income such as a pension benefit, like other government plans. There are $300M in target date funds, 1/3 of participants are using these funds; participants are defaulted into these upon enrollment in the plan(s) unless they designate other fund(s). The 457 funds are smaller than the 401k, there is a large use of the self-directed funds, people like access to the self-directed brokerage. One quarter of the 457 participants are using target date funds, and they are a little more aggressive compared to the 401k. Mr. O'Shaughnessy then went over the Fund Performance Summary and noted that the Money Market funds are not run through the SageView ranking process. The SageView score shows the ranking of funds, to which we can look at an "asset class" and determine do we need two of these funds, or does one beat the other. Perhaps the Committee can look at the funds and determine if there's a need for multiple in the same asset class. The Fidelity Contrafund is a very popular fund, and if for example the Committee were to remove all 2nd quartile funds, it may cause ripples with a blanket statement to remove all 2nd quartile funds. There are a great number of funds that are performing well, we have yet to see how they perform in the 4th quarter. Another item that was highlighted was the funds that are performing well, but not bring utilized much, should these be removed? If the funds meet the Committee's measures, it should be left in there as the Committee does not want to concentrate people into just one fund versus having quality measures with various options. Mr. O'Shaughnessy mentioned that likewise, you don't want not to keep a fund just because it's well performing, for example the Fidelity Contrafund, it's one of the best mutual funds in American history. He added that the Committee has done a good job of making good decisions, and all the funds are performing well. In terms of asset allocation, balance funds seem to have younger and older participants moving away from these funds. The Committee may want to consider, from a balance funds standpoint, if they aren't working properly and are target funds better? He stated that target date funds have a large portion of participants in these funds, and generally are performing great. The Fidelity Freedom 2005 Vintage fund is for those who retired 15 years ago, there is less equity in these funds; they are underperforming however, it is not recommended for the watch list at this time. As previously mentioned, the Target Date Funds must be handled as a group, you must take all of them, not just one. Currently, there are no recommendations for the watchlist. Ms. Mand moved, and Mr. Atin seconded to receive and file the information. The motion carried

5. **Moss Adams Annual Plan Audit Results**. Ms. Patti Dowdy introduced Mr. Kory Hoggan, partner with Moss Adams. She noted that when we started the audit it was during COVID, things had to be modified from how they're normally done, and so the presentation to the Committee is a bit delayed but going forward we will be timelier with the results. Mr. Hoggan, partner with Moss Adams, was representing the audit team. He

stated that the audit began in late June, beginning of July and reports were completed at the end of August. Moss Adams' goal is to bring the audit results to the Committee's August meeting next year. However, this year due to COVID, there was a transition from in-person audits to remote audits through phone calls, video conference and utilizing Fidelity's PSW system. The information needed was able to be accessed virtually due to business requirements with COVID, and this pushed the results out a few weeks longer. Overall, things went smoothly with the Deferred Compensation staff and other staff at the County, and data was able to be scanned and uploaded for auditing. Mr. Hoggan stated that each plan issued a report on Independent Auditors and Financial Statement with unmodified opinions, and there were no issues to report. There were also reports on internal controls as these have separate government standards, and there no issues to report. He noted that they completed a 2019 balance and account for context, 2019 was a very good year on investment returns, of which drove the plan to just over $1B in assets. The plan is functioning as it should, and participants are taking advantage of what the plan has to offer; noting that the funds going in and coming out of the plan are roughly equivalent. Mr. Hoggan then moved on to discuss the 457 plan. The plan is smaller than the 401k, does not have a County match, and there are no loan options for this plan. There are similar investment options, and 2019 was also a very strong year for this plan with roughly 20% in returns. The funds coming into the plan were on par with the benefits coming out of the plan. He stated that the plan grew by $30M in 2019, and it continues to grow. He then reviewed the area of audit emphasis. The government realm does not require an audit, but the County voluntarily wanted to have an audit performed and so that creates a different scope. A lot of time was spent on internal controls such as how participants are enrolled in the plan, how they participate in the plan, and how contributions work. The audit looked at what internal controls are in process and at Fidelity's system (PSW), in addition to IT systems regarding how they are locked down and backed up. A risk assessment was also performed after reviewing the internal audit controls, looking at historical trends and participant account balances. After reviewing all the information, Mr. Hoggan added that there are no material weaknesses to note, Fidelity and SageView assist the County with the processes for the plan(s) and consulting, there are strong controls in place to protect the County. In addition, there are quality people in house, and a clear separation of duties; the County takes their fiduciary role very seriously. Mr. Burgh moved, and Mr. Atin seconded to receive and file the information. The motion carried.

6. **Fidelity Investments Quarterly Service Review.** Ms. Suzanne Rogers, Senior Vice President, Managing Director, began her presentation with what we've seen since March with COVID. From March 1 through the end of October, the inbound phone calls have been flat, there was a 38% increase in NetBenefits visits, 73% of participants have been staying the course and did not make an exchange in their account, and 92% of participants maintained or increased their deferrals. 73% of participants didn't make an exchange with their investments, 95% of participants continued to save by maintaining or increasing their deferral election, and only 1% stopped contributing. Regarding the CARES Act and the County, 675 participants have taken a CARES Act distribution, and $21.5M in total distributions were initiated with a median distribution amount of $8.0K. The County has had 76 participants opt for a loan deferment, with $1.2M in total loan balance deferred. Ms. Rogers highlighted that 92% of participants maintained or increased their deferrals, 1,489 (21.4%) participants increased their contributions, 521 (7.5%) participants decreased their contributions, 4,892 (70%) participants made no change, and only 44 (0.6%) participants stopped contributing; all in all, participants stayed the course. Next, Ms. Rogers provided a plan stats overview. The total plan assets as of Q3 are $1,267.9B, and there are 9,969 total participants as of Q3. 97% of

active participants have an email address on file, and 70% of active participants have a beneficiary on file with Fidelity. Employee participation is strong, with 97% of active participants contributing. The savings rates are very healthy, with Q3 at 10.5%. Moving on to asset allocations, which was noted that this area is healthy and has been for quite some time; 74% of participants are on target for Q3; investments include target date funds, managed account and self-directed brokerages. For loan and withdrawal activity, 31% of participants have at least one loan outstanding, this is higher than the peer average at 20%. Overall, Gen X is the largest generation utilizing loans. Employee engagement rate is up to 85% for quarter 3, employees are paying attention. 83% of the plan's participants have contacted Fidelity by NetBenefits, which is way above the peer average of 74%. Moving on to digital contact information and cybersecurity, 76% of active participants with a balance are filly "digital ready", 97% have an email on file, 91% are registered in NetBenefits, 90% have a mobile phone on file and 85% of participants allow electronic delivery; Fidelity believes this is a very strong area. Mr. Phillip Haslam, CFP, VP, Workplace Reginal Manager then discussed the Retirement planning and advice portion of the presentation. Andrew Kremer, CFP, Fidelity Dedicated Retirement Planner, has been in demand. 20% of unique participants have engaged in planning or advice; 35% have engaged with on-site rep, 742 appointments were filled, and there were 672 on-site engagers. 30% (583) of participants have engaged with a phone rep, 4% have engaged with a live rep, and 31% (589) of participants have used online tools. 53% of participants acted after engaging in retirement planning, either through a fund exchange (42%), increased deferral (18%), fund exchange to TDF (6%), managed account enrollment (5%), or consolidated assets (4%). Mr. Burgh moved, and Mr. Hintz seconded to receive and file the information. The motion carried.

7. **Annual Investment Policy Statement Review.** Ms. Patti Dowdy, Deferred Compensation Program Manager, provided a background and discussion on the Investment Policy statement Annual Review. The only update to the Investment Policy Statement (IPS) are the appendices, to incorporate the changes to the SageView score methodology. Mr. O'Shaughnessy, Managing Director SageView Advisory Group, noted that there are periodic updates to the SageView score, and there is nothing to report at this time. Mr. Burgh moved, and Mr. Atin seconded to approve the updates to the IPS. The motion carried.

8. **Information Agenda.** Ms. Dowdy noted that she will return to the Committee with a proposal for distribution from the Fidelity Revenue Credit Program. Mr**.** Hintz moved, and Mr. Atin seconded to receive and file. The motion carried.

Ms. Mand adjourned the meeting at 3:19 p.m.

Respectfully submitted,

Amanda Diaz

Amanda Diaz
Deferred Compensation Program Assistant

VENTURA COUNTY
DEFERRED COMPENSATION COMMITTEE
Section 457 Plan
Channel Islands Conference Room
December 3, 2020
2:00 p.m.

Members present	**Members absent**	**Also present**
Shawn Atin		Patti Dowdy
Kaye Mand		Wanda Crane
John Polich		Amanda Diaz
Jeff Burgh		Tracy Sewell
Steven Hintz		Suzanne Rogers
		Joan Steel
		Jake O'Shaughnessy
		Phil Haslam
		Andrew Kremer
		Kory Hoggan
		Stuart Payment

Ms. Mand called the meeting to order at 3:20 p.m.

1. **Public Comments.** None.

2. **Committee Member Comments.** None.

3. **Minutes of Regular Meeting August 20, 2020.** Mr. Burgh moved, and Mr. Hintz seconded to approve the minutes. The motion carried.

4. **SageView Advisory Group 3Q 2020 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. Several funds were on the watchlist and they have improved, right now the County's funds are in a good state. He added that every fund in our plan is meeting the expectations of the Committee; a log is kept with all action taken. Ms. Joan Steele said to wait a couple years and then we can look at the investment menu, there may be an opportunity to reduce the investment lineup to have less overlap and/or redundancy in categories. Mr. O'Shaughnessy then added that having fewer options may not be as overwhelming for participants, but also to keep in mind the overlay of the culture of the client is important. When or if funds underperform, we can eliminate those at that time. For example, if there are three funds in a large cap, would the Committee want to remove a well performing fund? There was a discussion about having more than one fund in each category and possibly eliminating funds, and if it's worth keeping only your best performing funds. It was noted that our funds from a performance standpoint are doing well and if some funds in the same category were to be eliminated, we'd have to set a high bar. Since everything is performing well, it's more a question of do you keep what you have or streamline the menu; according to Mr. Andrew Kremer, Fidelity Dedicated Retirement Planner, it's very rare to hear from participants that they are overwhelmed with the investment choices, they are able to

choose their fund(s) and add other funds as well. With Fidelity's personalized advice, there is a larger menu to select from when diversifying. Mr. O'Shaughnessy continued with a review of the Fund Performance Summary which lists each fund in the plan, of which all funds were above median. There may be an opportunity to "prune" around certain types of categories to eliminate some of the investment options. Mr. Atin suggested that at the next meeting they look at what it would look like if they considered narrowing down the funds. Mr. Atin also mentioned that the Committee could select only the best funds within the plan, and it would possibly look at outside funds if we don't have one. Mr. O'Shaughnessy added that this is a continuous process that the Committee has been on, and SageView can look at this. Next, he discussed the Asset Allocation by Fund, noting that we need to look at every dollar in the fund. As a fiduciary, we need to understand how people are using our plan; the #1 fund is a largely held fund (Fidelity Contrafund K6), the #2 fund is Fidelity Freedom 2020 K. The Fidelity 500 Index (#3 fund) is very passive, the #5 fund is self-directed with over $60M in plan assets. There are a significant portion of participants that have placed assets into self-directed funds, and all the funds in the top five funds are different types of investments. Next, Mr. O'Shaughnessy reviewed the Manager Diversification which provides a breakdown of plan assets by asset type. Stable value funds have a $31B value, and many employees may have other income such as a pension benefit, like other government plans. There are $300M in target date funds, 1/3 of participants are using these funds; participants are defaulted into these upon enrollment in the plan(s) unless they designate other fund(s). The 457 funds are smaller than the 401k, there is a large use of the self-directed funds, people like access to the self-directed brokerage. One quarter of the 457 participants are using target date funds, and they are a little more aggressive compared to the 401k. Mr. O'Shaughnessy then went over the Fund Performance Summary and noted that the Money Market funds are not run through the SageView ranking process. The SageView score shows the ranking of funds, to which we can look at an "asset class" and determine do we need two of these funds, or does one beat the other. Perhaps the Committee can look at the funds and determine if there's a need for multiple in the same asset class. The Fidelity Contrafund is a very popular fund, and if for example the Committee were to remove all 2nd quartile funds, it may cause ripples with a blanket statement to remove all 2nd quartile funds. There are a great number of funds that are performing well, we have yet to see how they perform in the 4th quarter. Another item that was highlighted was the funds that are performing well, but not bring utilized much, should these be removed? If the funds meet the Committee's measures, it should be left in there as the Committee does not want to concentrate people into just one fund versus having quality measures with various options. Mr. O'Shaughnessy mentioned that likewise, you don't want not to keep a fund just because it's well performing, for example the Fidelity Contrafund, it's one of the best mutual funds in American history. He added that the Committee has done a good job of making good decisions, and all the funds are performing well. In terms of asset allocation, balance funds seem to have younger and older participants moving away from these funds. The Committee may want to consider, from a balance funds standpoint, if they aren't working properly and are target funds better? He stated that target date funds have a large portion of participants in these funds, and generally are performing great. The Fidelity Freedom 2005 Vintage fund is for those who retired 15 years ago, there is less equity in these funds; they are underperforming however, it is not recommended for the watch list at this time. As previously mentioned, the Target Date Funds must be handled as a group, you must take all of them, not just one. Currently, there are no recommendations for the watchlist.

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

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or increasing their deferral election, and only 1% stopped contributing. Regarding the CARES Act and the County, 675 participants have taken a CARES Act distribution, and $21.5M in total distributions were initiated with a median distribution amount of $8.0K. The County has had 76 participants opt for a loan deferment, with $1.2M in total loan balance deferred. Ms. Rogers highlighted that 92% of participants maintained or increased their deferrals, 1,489 (21.4%) participants increased their contributions, 521 (7.5%) participants decreased their contributions, 4,892 (70%) participants made no change, and only 44 (0.6%) participants stopped contributing; all in all, participants stayed the course. Next, Ms. Rogers provided a plan stats overview. The total plan assets as of Q3 are $1,267.9B, and there are 9,969 total participants as of Q3. 97% of active participants have an email address on file, and 70% of active participants have a beneficiary on file with Fidelity. Employee participation is strong, with 97% of active participants contributing. The savings rates are very healthy, with Q3 at 10.5%. Moving on to asset allocations, which was noted that this area is healthy and has been for quite some time; 74% of participants are on target for Q3; investments include target date funds, managed account and self-directed brokerages. For loan and withdrawal activity, 31% of participants have at least one loan outstanding, this is higher than the peer average at 20%. Overall, Gen X is the largest generation utilizing loans. Employee engagement rate is up to 85% for quarter 3, employees are paying attention. 83% of the plan's participants have contacted Fidelity by NetBenefits, which is way above the peer average of 74%. Moving on to digital contact information and cybersecurity, 76% of active participants with a balance are filly "digital ready", 97% have an email on file, 91% are registered in NetBenefits, 90% have a mobile phone on file and 85% of participants allow electronic delivery; Fidelity believes this is a very strong area. Mr. Phillip Haslam, CFP, VP, Workplace Reginal Manager then discussed the Retirement planning and advice portion of the presentation. Andrew Kremer, CFP, Fidelity Dedicated Retirement Planner, has been in demand. 20% of unique participants have engaged in planning or advice; 35% have engaged with on-site rep, 742 appointments were filled, and there were 672 on-site engagers. 30% (583) of participants have engaged with a phone rep, 4% have engaged with a live rep, and 31% (589) of participants have used online tools. 53% of participants acted after engaging in retirement planning, either through a fund exchange (42%), increased deferral (18%), fund exchange to TDF (6%), managed account enrollment (5%), or consolidated assets (4%). Mr. Burgh moved, and Mr. Hintz seconded to receive and file the information. The motion carried.

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8. **Information Agenda.** Ms. Dowdy noted that she will return to the Committee with a proposal for a distribution from the Fidelity Revenue Credit Program. Mr. Burgh moved, and Mr. Atin seconded to receive and file. The motion carried.

Ms. Mand adjourned the meeting at 3:25 p.m.

Respectfully submitted,

Amanda Diaz

Amanda Diaz
Deferred Compensation Program Assistant