VENTURA COUNTY
SUPPLEMENTAL RETIREMENT PLAN COMMITTEE
Channel Islands Conference Room
February 20, 2020
2:00 p.m.

Members Present	Members Absent	Also Present
Kaye Mand		Patti Dowdy
John Polich		Wanda Crane
Shawn Atin		Amanda Diaz
Steven Hintz		Tracy Sewell
Jeff Burgh		Suzanne Rogers
		Jake O'Shaughnessy

Ms. Mand called the meeting to order at 3:12 p.m.

1. **Public Comments:** None.

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

3. **Minutes of September 5, 2019.** Mr. Atin moved, and Mr. Hintz seconded to approve the minutes. The motion carried.

4. **Proposed Plan Design Change.** Ms. Dowdy began the overview of the proposed plan design change that was discussed at the last Committee meeting, moving from a defined benefit plan to a 457 deferred compensation plan. The population for the current plan is participants who are extra help, intermittent, per diem, or part-time; they are not integrated with social security and the plan is in lieu of social security. With the current plan, the participant must be at least age 50 and separated from employment with the County in order to begin collecting benefits. The benefit will be reduced if the participant begins collecting prior to reaching age 65, as that is when the benefit reaches its maximum value. If the present value of the benefit is less than $5,000 the benefit will be in the form of a lump sum and if the present value of the benefit is over $5,000 it will be in the form of a monthly annuity, which is a lifetime benefit. There are currently 413 active members and 10,451 termed/vested members; the average age of a participant is 36 years old, they have an average of 4.6 years of service and the average time to wait before receiving a benefit is 14 years, with an average monthly benefit of $35. Ms. Dowdy then reviewed some of the challenges to the current plan design; the costs for the County have gone up exponentially and is currently 2x the cost of Social Security, members leave service many years before they're able to receive a benefit, and there is a continued growth liability. Next, Ms. Dowdy reviewed the requested follow-up items which included: legal opinion of the 457 Defined Contribution Plan to ensure it meets the requirements of a Social Security replacement plan, and review of vesting requirements for active members at time of conversion. She advised that Mr. Polich had researched the vesting requirements and noted that the current members cannot be forced into the new plan design, it must be optional. If participants do not reply to the request to opt-in or opt-out of the new plan it can be considered a passive election and they will be moved to the new plan. Ms. Mand asked about the efforts to locate participants. Ms. Dowdy advised that initially it will be for active employees and then the inactive population which will be a phased process to reduce future liabilities. Mr. Polich added that for the participants who are not contributing, Ms. Dowdy explained that a buy-out will be calculated and offered as a rollover into a 457 account. Mr. Atin noted that several states have done this, offered a lump sum that can be accessed now instead of having to wait 20 years to receive. Ms. Dowdy added that if participants have an option to elect a buyout the County can offer a percentage of their benefit but, if they are forced out, they must be provided

100% of the benefit. She then reviewed the benefit of offering a 457 to; they can receive the balance at separation, they will be fully vested in both the employee and employer contributions to the plan, and if the participant wants to take an early withdrawal normal taxes will be withheld but there will not be an early withdrawal penalty. Mr. Atin asked about employee and employer rates, and if an employee can take both contributions if they are fully vested upon separation. Ms. Dowdy responded that they can as the employer contributions are 100% vested. The new plan would limit the inactive growth, there will be a reduction in liability (MRD issue) and the Counties future financial liability will be reduced. Mr. Atin stated it would create a shift in investment risk from the County to the employee. Ms. Dowdy added that the required contribution for the new plan is 7.5%, and it can be any combination of employee and employer contribution(s). The current plan has a 3% employee contribution rate but could increase with the new plan. Mr. Atin highlighted some of the information previously discussed: current Social Security is at a 6.2% contribution rate and participants cannot collect their full benefit until they reach age 65, with the current defined benefit plan, the employer contributes 14% and the employee contributes 3%; with the new plan it could be any percentage of employee and employer contributions. For those active at the time of conversion, that opt to stay in the DB plan, the employee contribution must remain at 3%. In order to encourage more active members opt-in to the 457 plan keeping the employee contribution at 3% would be recommended. This would leave the remaining 4.5% contribution to be paid by the employer. Mr. Polich asked about the inactive and conversion participants, if their contributions would be limited by the annual contribution limits or if they would be able to roll over any amount; Ms. Dowdy responded that it would be considered a rollover and would not count toward the plan's contribution limit. Mr. Atin advised the Committee that there are a few groups in this population that are union represented. He advised this change would need to be run by the union reps. Ms. Dowdy noted that by maintaining the employee contribution at 3% this would also assist with the needed union discussions. Ms. Dowdy noted there will be an education piece along with the implementation of the new plan. To prevent administrative problems this plan will need to be a standalone plan from the current 457 plan for regular employees. In order to create a new 457 plan with Fidelity the initial implementation project fee will be $40,000. There will also be an annual fee of approximately $20,000-25,000, since there will be no initial assets upon start up. A new plan document will also need to be created. Once prepared the plan document will require Board approval. This document is required to begin implementing the new plan with Fidelity. Mr. Burgh mentioned reaching out to VCDSA and Fire since they have plan as well, and their liability is our liability; GASB 74; this is something to consider. Mr. Atin stated that $40,000 seems like a lot of money, and Ms. Rogers commented that she did go to finance in advance of the proposal to offer the best pricing available. The Committee is being asked to approve the transition from a soft freeze to a new employee deferred compensation plan and would determine the employee/employer rate later. Mr. Atin moved, and Mr. Burgh seconded for conceptual approval of the proposed plan design change pending additional discussion of the employer and employee contribution mix and buyout options. The motion carried.

Ms. Mand adjourned the meeting at 3:48 p.m.

Respectfully submitted,

Amanda Diaz
Safe Harbor Plan Coordinator