VENTURA COUNTY
SUPPLEMENTAL RETIREMENT COMMITTEE

Point Mugu Conference Room, 4th Floor
Hall of Administration, County Government Center
800 S. Victoria Ave, Ventura CA 93009

Meeting Minutes for September 19, 2023
1:30 p.m.

Members present	Members absent	Also present
Shawn Atin		Patti Dowdy
Kaye Mand		Patty Zoll
Emily Gardner		Andrew Gratt
Jeff Burgh		Amanda Diaz
Sue Horgan		John Garrett
		Ryan Gunderson
		Katie O'Keefe

Ms. Mand called the meeting to order at 1:31 p.m.

1. **Public Comments.**
None.

2. **Committee Member Comments.**
a. Mr. Burgh advised committee of prior commitment and early departure from the meeting.

3. **Minutes of Regular Meeting August 8, 2023**
Motion to approve: 1**. Ms. Gardner** 2. **Mr. Burgh** **Motion Carries**

A. Special motion to move Agenda Item #6, Continued Consideration of IRS Ruling Request, to agenda item #4 for committee discussion and action.
Motion to approve: 1. **Mr. Atin** 2. **Ms. Horgan** **Motion Carries**

4. **Continued Consideration of IRS Ruling Request**
Ms. Patty Zoll, Deferred Compensation Manager, gave a summation of the agenda item that is in front of the committee for action. At the April 13, 2023, committee meeting, a letter from Ventura County Employees Retirement Association (VCERA) was presented that was in support of allowing previously ineligible current County employees who contributed to the Safe Harbor Plan and are current VCERA members purchase service credit in VCERA for the time period(s) they were in a position excluded from VCERA membership. This would essentially mean that active employees with Safe Harbor time are able to purchase that time with VCERA when they separate from county

service and elect to convert their Safe Harbor benefit to the SRP 457 DC Plan. In addition, at the April 13, 2023, committee meeting, committee members requested that staff reach out to VCERA to garner some idea of the financial impact to the County should this population purchase their available time from VCERA. VCERA has provided some general information for consideration, namely the grand total of all active employees with Safe Harbor time available to them being approximately 1,700. VCERA is actively pursuing an actuarial evaluation impact study to determine an overall cost to the County and the estimated pension reserves transfer increase, should the majority of the 1,700 employees decide to purchase the prior time in Safe Harbor.

Ms. Emily Gardner, County of Ventura Counsel, brought insight into the decision about whether the committee should be the one who ultimately makes the decision to seek the IRS ruling letter. The reasoning behind this concern, Ms. Gardner states, is that although the committee has the authority to seek the determination letter based on committee guidelines, the ultimate cost of seeking such determination is not within the confines of the committee as the funds appropriated for obtaining said letter from the IRS are from County funds, not SRP. Her legal counsel suggested to send the final decision to the Board of Supervisors for a vote on seeking the IRS ruling. Mr. Atin moved to defer final decision of obtaining the IRS letter to the Board of Supervisors once the committee has had time to review the fiscal impact and make informed recommendations derived from the information sent from VCERA and their actuarial impact study.

A. Motion to forward VCERA's request for IRS qualification letter on the Safe Harbor plan to the Board of Supervisors with informed Committee recommendation:
Motion to approve: 1. **Ms. Horgan** 2. **Mr. Burgh** **Motion Carries**

5. Review of the June 30, 2023, Actuarial Valuation

Ms. Patty Zoll, Deferred Compensation Manager, provided a quick introduction of Mr. John Garret, Principal and Consulting Actuary, and Mr. Ryan Gunderson, Senior Actuarial Analyst, with Cavanaugh Macdonald Consulting, LLC. Ms. Zoll continued by providing a brief overview of the performance of the Supplemental Retirement Plan (the Plan). An aspect of mention includes the 2022 actuarial recommendation to establish a contribution requirement to the Defined Benefit (DB) Plan. This alteration in contribution requirement was approved by the County of Ventura, Board of Supervisors on December 6, 2022, with an effective implementation in the first pay period of 2023. The aim was to split the cost of amortizing the current unfunded liability while simultaneously garnering sufficient contributions to maintain a reasonable level of stability in future costs. A second aspect of review by Ms. Zoll regarding the Plan pertained to the total participant count decreasing in the past year by roughly 47% though this has increased the liability gain primarily due to converting DB benefits to the SRP Defined Contribution (DC) 457 plan.

Mr. Garret continued the review of the June 30, 2023, Actuarial Valuation of the Plan citing overall positive improvement in regard to the Plan. Moving participants from the DB plan to the DC plan is working out well and is positioning the plan favorably in relation to overall liabilities. Mr. Garret opined that if liabilities continue to decrease to a level low enough, the Committee may seek to transfer said liabilities to an appropriate insurance company for administration. Mr. Garret assumed the cost incurred by the County to make this transfer may be in the neighborhood of $6 million. This may be a favorable move by the County to have these liabilities transferred of the books, Mr. Garret suggested.

In more specific terms, Mr. Garret highlighted the approximate investment rate of return (ROR) for the previous plan year and the current plan year. As of June 30, 2022, the investment ROR stood at -13.09%. As of June 30, 2023, the investment ROR stood at +10.51%, justifying Mr. Garret's sentiments regarding the overall positive improvement in the Plan. Mr. Garret pointed out various other items of interest. First, that Part B, C, and D of the Plan have actuarial value rates of return of 4.57%, 4.77%, and 4.86%, respectively. Second, for part B of the Plan, the unfunded actuarial accrued liability fell from $1.8 to $1.4 million, approximately, increasing the total funding ration of part B from 94.12% to 94.60%. In reference to part C of the Plan, this closed group is operating above and beyond with decreased total actuarial accrued liability and an increase in funded ratio from 136.54% (June 30, 2022) to 156.21% (June 30, 2023). For part D of the Plan, the unfunded actuarial accrued liability decreased year over year by over 46% from $46,097.00 to $24,706.00, increasing the funded ratio by 1% from 97.81% to 98.82%. Part D is on track to be fully funded in the next 2 fiscal years. Remarks by Mr. Ryan Gunderson, Senior Actuarial Analyst, regarding the Governmental Accounting Standards Board Statement No. 67 (GASB 67) were confined to highlighting the ratio of fiduciary net position to total pension liability standing at 89.59% and 1% variations on the assumed long-term expected rate of return on pension plan investments to determine the total pension liability at 6%, 7% (current assumption rate), and 8%.

Closing remarks of this agenda item surrounded the topic of individuals in the Defined Benefit (DB) plan which Deferred Compensation staff is unable to locate, and make contact, in the attempt to convert their benefit in the DB plan to the SRP DC plan. Mr. Atin inquired as to the amount of time we are required to make attempts to reach and communicate with participants regarding the benefit that they have with the County. It was noted that there is no such timeframe within Plan rules that dictates this stipulation. Mr. Garret referenced a provision known as escheatment that pertains to such a provision. In short, escheatment is a legal path the County may take in order to attempt to locate participants however, after certain attempts with no outcome, may deem the participant unable to locate which then forfeits the monies. Mr. Atin agreed that this may be a reasonable approach to successfully transition away from the DB plan completely. Mr. Atin made a motion to have Deferred Compensation staff work with County Counsel on legalities of escheatment and possible incorporation into the Plan.

A. Motion to approve June 30, 2023, Actuarial Valuation and GASB 67 Reporting and advise Deferred Compensation staff to work with County Counsel on legalities of escheatment for Defined Benefit plan participants:

Motion to approve: 1**. Mr. Atin** 2. **Ms. Mand** **Motion Carries**

6. Investment Policy Statement Update

Ms. Zoll provided an overview of the action before the committee at today's meeting. During the December 2022 SRP Committee meeting, it was noted that the actuarial assumption rate of return in the Investment Policy Statement (IPS) had not been updated. The investment rate of return at that time was 7.75% which was above the 2022 actuarial valuation recommendation of a 7% rate of return on investments. In addition, the asset class weighting was brought into question and the committee, during the December 2022 meeting, asked third-party consultant, Jake O'Shaughnessy of SageView, the County's Deferred Compensation Committee's advisor, to review the specific target allocation weighting of the trust and provide a recommended weighting based on the 2022 valuation report. Mr. O'Shaughnessy's suggested SRP target asset class weightings based on the 2022 valuation report were cash, fixed income, and equity at 1%, 39%, and 60%, respectively. Mr. Atin inquired as to what the weighting is right now and if it aligns with what is currently in place. Ms. Zoll responded that there is no weighting currently in the IPS but the asset classes do align. These recommendations, along with Eric Lee's, Senior Portfolio Strategist for Principal, suggestion to update several index names in the Objective Benchmark as well due to industry changes, have been proposed. These alterations have been made to the Investment Policy Statement and are before the committee to approve the updated statement.

A. Motion to approve updated Investment Policy Statement:
Motion made: 1. **Ms. Horgan** 2. **Ms. Mand** **Motion Carries**

Ms. Mand adjourned the meeting at 2:23 p.m.

Respectfully submitted,

Andrew Gratt
Deferred Compensation Personnel Assistant