VENTURA COUNTY
DEFERRED COMPENSATION COMMITTEE
Section 401(k) Shared Savings Plan
CEO Channel Islands Conference Room or via Zoom
August 19, 2021
2:00 p.m.

Members present	**Members absent**	**Also present**
Shawn Atin	Steven Hintz	Patti Dowdy
John Polich		Patty Zoll
Jeff Burgh		Amanda Diaz
Kaye Mand		Paul Donahue
		Eric Kline
		Jake O'Shaughnessy
		Stuart Payment
		Phil Haslam
		Andrew Kremer
		Kory Hoggan

Ms. Mand called the meeting to order at 2:01 p.m.

1. **Public Comments.** None.

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

3. **Minutes of Regular Meeting June 17, 2021.** Mr. Burgh moved, and Mr. Polich seconded to approve the minutes. The **motion carried**.

4. **SageView Advisory Group 2Q 2021 Investment Review.** Mr. Jake O'Shaughnessy, Managing Director SageView Advisory Group LLC, began his presentation with information from the last meeting regarding the funds that were previously placed on the Watch List: Columbia Income Opportunities Inst3, Fidelity Contrafund K6 (the plan's largest fund), Fidelity Overseas K, and included the Lord Abbett Affiliated R6 fund. The investment Policy outlines the criteria in which a fund is to be placed on the Watch List. Currently there are four funds on the Watch List that are being monitored, but he mentioned that one other fund, the Janus Henderson Enterprise N, is slightly below the 50th percentile at 53%, this fund has been flagged for the Watch List.

   Next, Mr. O'Shaughnessy reviewed the following major headlines for the quarter, as presented in the SageView Plan Investment Review:

   - Inflation, supply chain issues, job openings and high earnings expectations – p. 4
   - The return of inflation, which he noted, as of June 2021, is at the highest year-over-year surge in nearly 13 years. – p. 5
   - The economic scoreboard has evidence of positive signs such as corporate earnings, GDP growth and fiscal spending. – p.6
   - U.S. and International Equities performance – p.10-13
   - Fed expectations regarding interest rates is projected to remain stable through the end of 2022. – p.14

On the regulatory and legislative front, the Ventura County Deferred Compensation plans are not subject to ERISA as part of their fiduciary rules, however, these rules are looked to as a best practice by the Department of Labor. He added that there are numerous retirement related provisions to the H.R 2954 Bill such as: revisiting the RMD age to consider changing to a later age in 2022, 2029, and in 2032, as well as changes to the catch-up contribution limit, a mandatory ROTH contribution, and part-time employees' eligibility.

Mr. O'Shaughnessy highlighted two things about recent litigation, which has also seemed to subside: 1. Do not offer higher cost investment funds, and 2. Minimize record keeping fees; he added that the County does have a track record of adhering to these. He suggested lowering costs of share class funds that are available, and this may be something to walk through next quarter with the Committee.

Next, Mr. O'Shaughnessy discussed asset allocations. There are $1.3B total assets in the Ventura County 401(k), and $263M in the Ventura County 457. Of those funds, there are $1.5B in the program that are hard earned retirement assets. He is looking forward to Fidelity updating the Committee on the Fidelity Contrafund K6 but noted that 8.64% of the plan have assets are held in this fund, which is the largest held fund in the plan. This fund has been placed on watch previously, but SageView is not recommending a replacement at this time, and the fund has been performing well this year. There are 8 large cap growth funds, 4 Fidelity funds, and 9 mid-cap value funds – all these funds are similar but vary slightly. The way the County's plan has been designed with multiple options in the same asset class is not wrong, the Committee would just like to offer less funds.

Mr. O'Shaughnessy then reviewed the Fund Performance Summary and recommended maintaining the current Watch List and adding the Janus Henderson Enterprise N fund to the Watch List due to the fund falling below the median for the first time this past quarter. Mr. Burgh moved, and Ms. Mand seconded to **approve the Watch List recommendation from SageView** and receive and file the report. The **motion carried**.

5. **Fidelity Plan Investment Option Review.** Mr. Eric Kline, with Fidelity, began with the Investment Options Review. The County's participant returns have been performing well relative to primary peers, both for the 3-year and 5-year figures, noting that investment options are driving this. Participant risk is slightly higher than primary peers, but participants are receiving higher returns. Overall, he noted that this a good spot to be in.

   Next, Mr. Kline discussed the Target Date Funds (TDF). Currently, 1/3 of the plan's assets are in a TDF, and the assets in a self-directed brokerage are a bit less than peers. Regarding managed account enrollments for active participants, 17% of participants are enrolled in a Managed Account (MA), with 12.4% of plan assets being managed, and an overall 15% participant adoption rate making it about 50% higher than peers. The good news is that a service is being offered, and it's being utilized to allow participants a more customized portfolio.

   Mr. Kline then reviewed the plan's participant profiles, pointing out a higher average balance in the DIY funds compared to the MA or TDF. He then went over the Participant Performance Summary. With the MA, the volatility goes down as opposed to the DIY funds. The risk is lower in the MA, as there is a more risk-controlled approach. Overall, the TDF did best over the 5-year return period compared to the TDF or DIY fund.

Next, Mr. Kline provided Fidelity's Target Date Glide Path update. TDF main goal is to help achieve the best outcome possible for participants in retirement and Fidelity has been making changes to improve diversification within the entire TDF portfolio in the following areas:

- The 1-10-year maturity ranges as younger and older people are presently in the same fund, this has been changed to two separate funds, a 0-5 years fund, and 5+ years from retirement fund as this lessens the risk and has more age-appropriate options.
- Adding in exposure for higher inflation
- Adding long-term treasury bonds for a deflationary environment
- Adding additional fixed income as we're starting to see a swing back with increased production costs abroad, it may be advantageous to produce domestically.

Mr. Kline then moved on to give an update on the Fidelity Contrafund K6 as of March 2021. The fund's performance has been great over decades, and there have been some substantial earnings and growth which has allowed the fund to be more reasonably priced. There is always more risk compared to long-term investments, it provides a strong risk adjusted return for shareholder. It's important to note that Contrafund can be volatile but is also a resilient fund. Mr. Burgh moved, and Mr. Atin seconded to receive and file the information. The **motion carried**.

6. **Moss Adams Annual Plan Audit Results**. Ms. Patti Dowdy introduced Mr. Kory Hoggan, partner with Moss Adams. Mr. Hoggan provided the 401(k) and 457 Annual Plan Audit Results to the Committee.

The following are areas of audit emphasis:

- Internal Controls
- Analytical Procedures
- Tests of Account Balances

These areas look at:

- The record keeper (Fidelity) and their system
- Funds flowing into and out from the plan, the timely processing of elections and changes
- Enrollment at the participant level, contributions, loans, the distribution process, ratio analysis to include investment earnings by time, benchmarks, and expenses

He stated that the plans serve various ages of participants, it is a very diverse plan serving a broad range. The plans are heavily weighted, equity based, and the second largest investment is a money market fund. With this plan, there are no employer contributions or loans.

Moving on to discuss the results of the audit that started remotely in late May/early June, everything went smoothly. He is happy to report that there were no discrepancies or inefficiencies with regards to controls in the plan. There was a summary of financial results for 2020, and these results line up with the past 2 years results, can reference the balance sheet for the appropriate plan. In summary, the mutual funds held over a million in funding, and the self-directed brokerage experienced growth in all categories. As of December 31, there was almost $1.2B in plan assets across both plans, and there has been very strong growth in the plans. In addition, the 401(k) plan grew by $174M in 2020, and marked the second consecutive year of growth. Mr. Hoggan noted that with the participants contributions, and the 401k employer match the plan is growing organically. In 2020, there were almost 1,000 new employees added into the plan, and it continues to grow.

Next, Mr. Hoggan reviewed the required communications of which are detailed in the formal memo issued that is included in the packet. Both plan audits were performed within the timeline established, and there were no weaknesses or deficiencies found. The audit looked at fraud, as this is a requirement, and he noted that there were no illegal acts of fraud noted. Mr. Hoggan said that MA is independent from the County, and a separate audit was performed on each plan. Mr**.** Atin moved, and Mr. Burgh seconded to receive and file the 401(k) Annual Plan Audit Results. The **motion carried**.

7. **Fidelity Investments Quarterly Service Review.** Mr. Paul Donahue, Managing Direct, Team Lead with Fidelity began the Fidelity Investments Quarterly Service Review. There are $1.5B total plan assets, with 10,000 total participants; of those, 7,200 are active employees, and 2,800 are termed/inactive employees. Regarding participation, once a participant is in the plan, there is an inertia to stay in the plan. As of Q2 2021, there is a 71% participation rate, there is a good line of communication and active engagement with new employees to assist with participation. By encouraging participation, it allows participants to save early and have their funds experience growth.

   Next, Mr. Donahue noted that 705 employees have joined the plan within the last 12 months, and an EasyEnroll option is provided that allows an employee to enroll with just 3 clicks into a Target Date Fund; this also auto populates deferral rates of 8%-10%. Participants who use this feature are averaging an 8% deferral rate, vs. an online or mobile registration where the average deferral rate is 3%. There is a combined 15% savings goal for employee and employer contributions, and the current average savings rate is 10.9%. There is good news in that 33% of the population are contributing 10% or more of their compensation to the retirement plan(s); Andrew is assisting with identifying opportunities to help participants save more**.**

   Moving on to Asset Allocation, Mr. Donahue discussed the variations in allocations throughout the different generational cohorts. The Boomers are taking more risks and can save more with the Baby Boomer catch-up provision, they also tend to have a bit more risk in their portfolios compared to other generations. Participant investments in the Do-It-For-Me (DIFM) vs. Do-It-Yourself (DIY). DIFM provides tools and resources to include Andrew, NetBenefits, and by phone with customer service.

   Then, Andrew Kremer, on-site dedicated Fidelity representative, shared some information regarding trends he is seeing and updates surrounding the clinic transition. Mr. Kremer has assisted a lot of clinic employees with rollovers into the plan from their previous employer(s), he sees the value that Fidelity and the County offer employees and has hope that the new employees also see a value in the benefits and services the County offers through Fidelity. He stated that the County is extremely engaged, and virtual webinars are offered through Fidelity that includes a checklist of benefits offered, noting that the most recent webinar had 47 employees in attendance for the "Planning for Retirement". He also offers webinars with rotating topics the 2nd Wednesday each month, and the 4th Wed of the month is "Getting Started", and the last Friday of the month is a "Q&A session. There's typically anywhere from 5-20 employees in attendance for the various webinars.

Overall, Mr. Kremer stated that there are a lot of enrollments, retirements, and he assists in planning for retirement by being able to bring in all the benefits offered through the County to help participants get an overall picture of their retirement benefits. Mr. Atin asked Andrew about how many clinic employees he assisted with rollovers, he estimated 50, and added that they also enrolled in the plan(s) as well. He noted that most of the clinic employees he assisted with rollovers were part of SEIU, and because these employees are not used to having a pension and retirement contribution deduction on their paycheck, their deferral rate isn't as high.

Lastly, Mr. Donahue added that there will be a cyber-security update from Fidelity during the next Committee meeting, and Ms. Rogers will also be back. Mr. Atin moved, and Mr. Polich seconded to receive and file. The **motion carried**.

8. **Information Agenda**. Ms. Dowdy reviewed the Expense Revenue Credit Account and Q2 Section 401k Shared Savings Plan Safe Harbor and Facts and Circumstances Hardship withdrawals. As of June 30, 2021, there was a total of $532,000 between the 401(k) and 457 plans combined that was allocated back to participants from the ERC fund. In Q2, the account is over the goal balance of $600,000 and is currently above $700,000. Then, Ms. Dowdy provided an update on the Safe Harbor and Facts and Circumstances withdrawals, noting that there has been an uptick as CARES Act distributions are no longer available directly though Fidelity. Mr**.** Atin moved, and Mr. Polich seconded to receive and file. Ms. Mand moved, and Mr. Burgh seconded to receive and file. The **motion carried**.

Ms. Mand adjourned the meeting at 3:45 p.m.

Respectfully submitted,

Amanda Diaz

Amanda Diaz
Deferred Compensation Personnel Analyst