VENTURA COUNTY
DEFERRED COMPENSATION COMMITTEE
401(k) Shared Savings Plan
Channel Islands Conference Room
August 20, 2020
2:00 p.m.

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

Ms. Mand called the meeting to order at 2:10 p.m.

1. **Public Comments.** None.

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

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

4. **SageView Advisory Group 2Q 2020 Investment Review.** Mr. Jake O'Shaughnessy, Managing Director SageView Advisory Group LLC, began his presentation with a review of the major headlines for the quarter. After the market hitting the lowest point, and the economy slowing down due to the COVID-19 pandemic, it was thought that the worst-case scenario may transpire. In the 2nd quarter, despite the COVID-19 struggle, people were beginning to be very optimistic about the future. He added that there is a major disconnect between Wall St. and Main St., the stock market is at all-time highs and it will be interesting to see what the stocks will do in 12–18 months from now. People are confident that the stocks will return to the 2019 levels within this time frame in a very good scenario, but it will likely take place within the next 24-36 months. Mr. O'Shaughnessy noted that the stimulus package provided an additional package to help boost the economy that included the CARES Act, of which $3T was introduced by the Feds, and there is an additional $1-$3T expected later this year. Combining the downturn and the stimulus could lead to good scenarios next year, the optimism is good. Next, he widened the lens from the US to across the globe. What we are seeing is that regions with COVID-19 behind them are experiencing quick recoveries in their economies in places such as China, Italy and Europe; a company that wants to re-open is more confident. He stated that the debate about the global supply chain with South America and the US is facing difficulty, and the global demand for certain items such as copper and oil are not rising from the US. This is leading to international investments and people looking at the US with the GDP to look abroad. Mr. O'Shaughnessy explained that from an economic standpoint, interest rates are expected to be maintained near zero through 2022. Due to the upcoming election, there is already trade

tension that is expected to rise as the election nears, and it is likely to be a focal point; this can feed into volatility and change with different policies. He then discussed the Wall St. vs. Main St. The types of stocks that have been telling return profile, were up big this quarter, some even doubled on returns. Large companies are up 15-18%, and the value of stocks are up in the teens. The Russell growth fund is up many times more; as well as all US stocks being up. Mr. O'Shaughnessy explained FOMO: Fear of Missing Out; large stocks such as Apple, Facebook, Google, as their growth leads the way, the value in stocks were underappreciated and they are now receiving more attention. Next, he reviewed the US Equity Valuation Metrics. Historically, the P/E ratio has been between 28-29 with under 30 being undervalued, and above 30 is overvalued. On 3/31, the metric validated this, and the appropriate time to buy stocks is when they're under/over. He stated that the economy wasn't derailing, and it got back to a typical market in Quarter 2 in mid-March. He then noted that Feds cut interest rates dramatically in period 1, with 1-3 years above 25bps, whereas countries such as China and Japan have gone negative. There may be some political fall-out, and the Feds don't have to have the interest rate go below zero. He added that there is municipal debt, and the revenue streams are no longer certain; low interest rates may not help. Mr. O'Shaughnessy reviewed the Federal Reserve Balance Sheet. The Feds have bought municipal and mortgage backed debts, they can print and buy debts, which can relieve stress. The Feds have introduced a stimulus where the economy needs it. Next, he discussed the supply chain; where the goal is to go through the supply chain, create, make, and ship items; this creates a healthy workforce. Everywhere across the world is facing COVID, there is an initial spike and then it comes down, this plays into the economic recovery and there are benefits after dealing with it. He then noted that the CARES Act allows for COVID specific distributions from retirement assets that have been made available to affected individuals. The County plan has had 9 distributions per 1,000 participants, less than 1% of the total participants. He then proceeded to review the SageView Score. Mr. O'Shaughnessy began by discussing the top 4 funds, 1. Fidelity Contrafund with 8.71% of plan assets, Fidelity Freedom Fund 2020 K with 6.48% of plan assets, Fidelity Freedom Fund 2040 K with 5.92% of plan assets, and the Fidelity 500 Index fund with 5.63% of plan assets; with regard to allocations, we are pleased with what we see and the employees are benefiting from the plan. He also added that there are over $1B in total assets in the 401k plan. He then briefly reviewed the expense ratios for the funds and noted that the fee rate is a good value for our plan participants. He said that the 457 plan has over $200M in assets, and funds have recovered well since the end of March; our plans do a great job at supplementing employees' pensions. Mr. O'Shaughnessy then discussed the Fund Performance Summary, stating that all the active managed funds are doing well. The Fidelity Target Funds have a couple of funds that are in the 3rd quartile, such as the 2015 and 2040 fund, but the majority are still doing good. Mr. O'Shaughnessy noted that there were no recommendations for the watchlist as of today. Ms. Steele added that Jake's group did a good job on narrowing down funds in the plan earlier this year and added that we can't focus on only larger stocks that are doing well such as Apple, Netflix, etc., as we want to have a diversified portfolio. Mr. Burgh moved, and Mr. Hintz seconded to receive and file the information. The motion carried.

5. **Coronavirus Aid, Relief, and Economic Security (CARES) Act**. Ms. Dowdy began with an overview of the provisions in the plan in response to the Coronavirus Aid, Relief, Economic Security (CARES) Act. She explained that there are withdrawal and loan options with the deferred compensation plans that allow withdrawals from the plan on/after January 1, 2020 and before December 31, 2020. These are unprecedented times and there will be an unprecedented financial impact. She added that Fidelity was

quick to make these types of withdrawals available. There was a request to the Board of Supervisors by Shawn Atin on April 7, 2020 that would allow two options, one of the options being a COVID distribution, if the participant met the eligibility criteria, of up to $100,000 across all plans. Ms. Dowdy stated that there is an advantage in taking a COVID- related withdrawal versus a hardship, as there is no early withdrawal penalty of 10%, or a mandatory 20% tax withholding. She noted that the withdrawal is still subject to taxes, but it can be spread out over three years; and funds can also be re-deposited back into the plan over a three-year period. Next, she explained the second option and added that we opted into the loan payment deferment provision that for any existing loan or a newly transacted loan to have payments deferred; interest will still accrue, and the loans will then be re-amortized in January 2021. Ms. Dowdy said that one of the other options allowed, but we opted out of, was to increase the loan limit from $50,000 to $100,000 with the loan repayments beginning January 1, 2021; however, at the maximum loan amount of $100,000 this would create a $900/bi-week deduction for repayment and is not in the best financial interest of our employees. The eligibility criteria that a participant must meet is that either they, their spouse, or a dependent has tested positive for COVID-19 and has been tested at a CDC approved facility, either they, their spouse or dependent has suffered financial consequences as a result of a COVID-19 related reason such as: no childcare, reduction in work hours, etc. Ms. Dowdy stated that originally the implementation didn't apply to a spouse, dependent of household member, but the Act was amended to include spouse/dependent/household member in July 2020. The plan administrator is relying on employees who are self-certifying that they meet the before mentioned criteria directly and are transacting directly through Fidelity, and no additional information is being requested. Next, she reviewed the CARES Act related distributions, there have been $13M in distributions, to 697 participants of which 668 are active and 29 inactive. In addition, 60 participants have elected loan deferment options. Due to our plan being a government plan, we have until December 2024 to do the plan amendments, Ms. Dowdy will return to the Committee at later date with this item. Mr. Hintz moved, and Mr. Burgh seconded to receive and file the information. The motion carried.

6. **Fidelity Investments Quarterly Service Review.** Ms. Rogers, Senior Vice President, Managing Director, began her presentation with COVID-19 and volatile markets. There was an 11% increase in inbound phone calls, and a 48% increase in activity on NetBenefits. She noted that 92% of participants didn't make any investment changes, and 96% of participants maintained or increased their deferral election. Ms. Rogers discussed the CARES Act provisions for tax-exempt market plan sponsors, of which 85% adopted the CARES Act distributions option, 72% adopted the CARES Act loan option, and 98% adopted the CARES Act loan deferment option. Next, she reviewed the CARES Act distributions, of which there are 127,878 participants who have taken a CARES Act distribution representing 3.6% of active participants with a balance. The median distribution amount is $5,000. Regarding CARES Act loans and loan deferments, there have been 5,108 participants that have taken a CARES Act loan, with $88M in total loans, for the CARES loan deferments there have been 18,367 participants that have opted for a loan deferment, with $230M in total loan balances deferred. Mr. Kremer, Fidelity Dedicated Retirement Planner, spoke about what he has been seeing and hearing with his interactions with plan participants recently. He said that it is the usual, with appointments, enrollments, there are people trying to retire, and added that there a lot of people who are trying to retire sooner than planned. Mr. Kremer stated that he, Ms. Dowdy and Mr. LaTorre have been discussing education workshops, and getting Andrew more appointments. Mr. Kremer noted that he has been targeting employees

that are within five years of retirement to let them know that he's still available. Ms. Steele added that participants have been not been making changes to their investments, and that they are coming to Fidelity for help and guidance. Ms. Rogers then continued with Navigating COVID-19 and volatile markets for the County of Ventura. Engagement has increased, with an increase of 38% in NetBenefits visits, 75% of participants are staying the course in their investments, and 94% either maintained or increased their deferral election; only .4% of participants went to 0% equities and .4% of participants have stopped contributing. She then highlighted the CARES Act distributions: there have been 403 participants that have taken a CARES Act distribution, representing 5.6% of active participants with an active balance. Regarding CARES Act distribution amounts, there have been $11.5M in total distributions initiated with $10.0K being the median distribution amount; 30 participants have requested the full $100K. Ms. Rogers moved on to CARES Act loans and deferments.: 55 participants have opted for a loan deferment, and there is $890.0K in total loan balance deferred; with $14.1K median loan balance deferred, with repayments starting January 1, 2021. She mentioned that most of the participants are in an age appropriate fund, and 19% of participants are in a managed care product. Next, she reviewed how participants are continuing to save, noting that 94% of participants maintained or increased their deferral election since 3/1/2020. There has been a large volume of calls being made to Fidelity, they have hired 600 new phone representatives to assist with the increase in calls. She noted that there are some longer hold times, and Fidelity is paying into the trust based on the agreement with the County. Even with the longer wait times, participants are still having very good experiences with the phone representatives and are having longer conversations. She then proceeded to discuss the plan stats overview: 97% of active participants have an email address on file with Fidelity, and 70% of active participants have beneficiary forms on file. Mr. Kremer has also sent over 1,000 emails to employees regarding beneficiary forms. Next, she briefly mentioned employee participation, which is very high, over 97% of employees are participating in the retirement program. For loans and withdrawals, they are a little high, with 32% of active participants having at least one loan outstanding. Ms. Rogers mentioned employee engagement, which was at 75% in Q4-19, and is at 86% as of Q2-20, which is on target. Mr. Haslam reviewed the planning and advice, stating that Mr. Kremer has been very engaged with our participants, and has had over 700 appointments this year; a lot of employees have reached out on the phone and use the available online tools, with 20% of the employees engaged in planning or advice. Then, Ms. Rogers moved on to talk about planning and advice engagement: 51% of employees took an action after engaging in retirement planning, either through a fund exchange, increased deferral, fund exchange to TDF, managed account enrollment, or consolidating their assets. Mr. Burgh moved, and Ms. Mand seconded to receive and file the information. The motion carried.

7. **Information Agenda.** Mr. Burgh moved, and Ms. Mand seconded to receive and file. The motion carried.

Ms. Mand adjourned the meeting at 3:14 p.m.

Respectfully submitted,

Amanda Diaz

Amanda Diaz
Deferred Compensation Program Assistant