VENTURA COUNTY
DEFERRED COMPENSATION COMMITTEE
401(k) Shared Savings Plan
Channel Islands Conference Room
August 29, 2019
2:00 p.m.

Members present	**Members absent**	**Also present**
Kaye Mand	Steven Hintz	Patti Dowdy
John Polich		Michael Powers
Shawn Atin		Laura Hernandez
Jeff Burgh		Tracy Sewell
		Suzanne Rogers
		Jake O'Shaughnessy
		Joan Steel
		Andrew Kremer
		Kory Hogan
		Tom Peller
		Stuart Payment
		Phil Haslam

Ms. Mand called the meeting to order at 2:00 p.m.

1. **Public Comments.** None.

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

3. **Minutes of Regular Meeting November 29, 2018.** Mr. Burgh moved, and Mr. Atin seconded to approve the minutes. The motion carried.

4. **Minutes of Regular Meeting May 30, 2019.** Mr. Polich moved, and Mr. Atin seconded to approve the minutes. The motion carried.

5. **Fiduciary Oversight of Deferred Compensation Plans.** Mr. Tom Peller, VP, Compliance and Consulting, Fidelity Investments, began with reminding the Committee that government plans are exempt from the Employee Retirement Income Security Act of 1974 (ERISA). First, Mr. Peller focused on what the County of Ventura and the Committee have done in order to mitigate risk and stating this is an ongoing process. He pointed out a few examples where the Plan has adopted or taken steps to mitigate risk such as having an Investment Policy Statement, retaining a third part consultant, and streamlining the Plans investment menu. Next, he indicated that he will be going over a review of a dashboard of the important the fiduciary responsibilities. Mr. Jake O'Shaughnessy stated the Committee has taken strides to improve the Plan for the participants. Ms. Suzanne Rogers pointed out the Committee diligently follows the Investment Plan Policy and is committed to its fiduciary responsibilities. Mr. Peller brought the Committee's attention back to the fiduciary structure and stated everything is looking good with one exception. The area which could improve is ongoing Fiduciary education, but he also pointed out the County of Ventura is committed to ongoing education for participants. Mr. Peller pointed out overall the fiduciary process is looking good and the Committee is on top of addressing any issues, concerns, and ensuring the Plan stays in full compliance and up to date with any changes such as taking action in

amending the Plan documents for regulatory changes to due the Bipartisan Budget Act (BBA). Mr. Atin asked since this was the first time the Plan had been audited, how often should the Plan be audited going forward. Mr. Peller stated government plans are exempt from the Employee Retirement Income Security Act of 1974 (ERISA) which means we are not obligated to conduct audits of the Plan. Mr. Hogan informed the Committee that the new GASB 84 will require an audit. Ms. Rogers recommended conducting an annual audit. Mr. Hogan also stated that auditing the 457 and 401(k) for the first time was very fiduciary responsible of the Committee. Mr. Peller shifted the Committees attention to an overview on federal legislation and the Setting Every Community Up for Retirement Enhancement Act (SECURE Act) which passed on May 2019. Mr. Peller mention the SECURE Act is getting the most interest with the House of Representatives. He went on to note a few changes if the SECURE Act passed into law. One would be mandatory 401(k) participation for long-term part-time employees so any person working at least 500 hours for 3 years would be eligible. Another would be the change to the Required Minimum Distribution age from 70 ½ to 72. Mr. Peller noted that with the SECURE Act there is no support for drastic changes but instead the focus is making what we have better with minor improvements. Mr. Peller stated if the SECURE Act does not pass into law there are multiple pension bills that may pass into law. He noted one bill getting the most publicity, which is not in the SECURE Act, allows student loan repayments to be treated as elective deferrals. Another separate high-profile bill will increase age 50 catch-up to $10,000 beginning at age 60 and repeal the “first of the following month” rule in the 457(b) plan. Mr. Peller asked if there any current issues with this rule. Ms. Dowdy stated that we adhere to the rule 100% and do not deviate or make any exceptions but administration is difficult and the removal of this rule would be welcomed. Mr. Polich asked about 404c fee disclosure compliance. Ms. Rogers stated that Fidelity Investments takes care of the fee disclosure compliance by notifying participants about the Plan and its investment options before participants make investment decisions. Mr. Polich said that was always an area of worry since the Plan is non-ERISA. Ms. Rogers informed the Committee that Fidelity sends out a non-ERISA fee disclosure which was created specifically for the County of Ventura. Ms. Dowdy stated Fidelity started sending out the fee disclosure notices the same year the funds were streamlined which was in 2017. Mr. Atin moved, and Mr. Burgh seconded to receive and file information. The motion passed.

6. **SageView Advisory Group 2Q 2019 Investment Review.** Mr. Jake O’Shaughnessy, Managing Director SageView Advisory Group LLC, began his presentation with the economic and market overview. He started with major headlines focusing on the market volatility and stated the US stock markets hit new highs toward the end of 2Q 2019 and mentioning trade tensions escalated between the US and China in 2Q. Next, he talked about the economic scoreboard where he stated consumer spending is strong and for fiscal spending the deficit is expected to increase in the future due to Social Security and Medicare costs and interest on government debt. Mr. O’Shaughnessy then moved to the retirement plan trends by pointing out 99% of plan sponsors are utilizing automatic enrollment. Ms. Rogers stated some plan sponsors are looking at automatic enrollment through their unions. Mr. Atin asked what contribution percentage they are requiring participants with automatic enrollment. Ms. Rogers states the plans sponsors are looking at a 1% contribution election. Mr. O’Shaughnessy next mentioned a last-minute change with the SECURE Act which removed the expansion of 529 plans to allow for K-12 school tuition and home school expenses. Mr. O’Shaughnessy moved onto the 401(k)-asset allocation where he pointed out the top 5 funds were Fidelity Contrafund K6,

Fidelity Freedom 2020 K, Fidelity 500 Index, Fidelity Freedom 2030 K, and Self-Directed Brokerage fund. He made note that the top fund was Fidelity Contrafund K6 with 1,218 participants, 9.08% of plan assets, and over $82 million in assets. He also pointed out that the Self-Directed Brokerage fund consisted of 4.85% of plan assets and had over $44 million in assets. Mr. Atin commented that the Self-Directed Brokerage fund has a large fund amount and asked if it would be advisable to send communications to participants in the Self-Directed Brokerage fund to remind them the fund is self-directed, and the funds are not being reviewed by the Committee. Ms. Rogers agreed that it would be advisable and she will work on a communication specificity targeting participants in the Self-Directed Brokerage fund. Mr. O'Shaughnessy turned the Committees' attention to the watch list summary pointing out Fidelity Freedom 2030 had improved with a SageView score of 42. Mr. Burgh moved and Mr. Atin seconded to approve the SageView Watch List recommendations for funds falling in the 3rd and 4th quartiles in Q2 2019 as outlined in Watch List summary provided by SageView and accept the watch list summary recommendations for Q2 2019.

7. **Investment Menu Structure Review.** Mr. Jake O'Shaughnessy, Managing Director SageView Advisory Group LLC, began his presentation by reviewing the different tier options within the Plan. He stated participants have tier options offered to them for example tier 1 is the do it for me where funds are static, tier 2 is working together where fund menu includes active and passive options, and tier 3 is for those participants who want to do everything on their own and they have the option of Self-Directed Brokerage. Mr. Powers asked if participants sign a waiver when selecting the Self-directed Brokerage option. Ms. Dowdy stated that participants must sign a waiver when selecting the Brokerage option. Mr. O'Shaughnessy started his first recommendation under Tier 1 is to take all the asset manager funds and move them to a Target Date fund and other funds not meeting the top quartile he recommended eliminating and mapping to a Target Date fund. Mr. Atin asked if the recommendation was to remove all asset manager funds. Mr. O'Shaughnessy stated that the recommendation was to map all asset manager funds into an age appropriate target date fund option. Mr. O'Shaughnessy moved onto Tier 2 where he noted the funds have been put into categories and he wanted to address them separately to decide what categories we want to offer. For example, bond investments would be broken down by low, medium, and high so this type of model would provide more structure to bonds. Mr. O'Shaughnessy recommended any funds not in the top quartile are put into a fund that is doing better. Mr. Atin commented that previously the SageView score was 30 and now we are looking at a SageView score of 25 and is wondering if the score needs to be moved up or down. Mr. O'Shaughnessy noted that he recommends taking the same process as last menu review but raising the bar by providing top performing funds. Mr. Polich asked if the Committee accepts all of the recommendation how many funds would remain in the menu. Ms. Rogers stated the total remaining funds would be about 70 funds. Mr. Atin asked if the average number of funds for Plan our size is about 30 funds. Mr. O'Shaughnessy stated that the average number of funds is about 30 funds. Mr. Atin commented that even with this menu reconsolidation the Plan would still have double of what is considered an average number of funds. Mr. Powers commented the best practice standard is about 20 to 25 funds. Mr. O'Shaughnessy stated some plans have 12 top quartile funds because participants get overwhelmed by too many options. Mr. Atin stated that he agrees that we need to reduce the number of funds in the Plan. Ms. Mand states that she likes the idea of going to about 70 funds than at later date seeing if that needs to be reduced again. Mr. Powers asked how the last consolidation of funds

was received by the participants. Ms. Dowdy stated it was well received by participants and they were very appreciative that the Committee was taking providing the best funds available. Mr. Burgh stated communications to participants should state what the process will be for the fund consolidation, so all employees are fully informed of the process. Mr. Powers asked Ms. Dowdy if she thinks we should continue to consolidate funds in the Plan. Ms. Dowdy stated that there are too many funds in the Plan and the number does need to be reduce but it should be done slowly. Mr. Atin also noted that there is a liability increase if there a lot of participants in a fund that is not doing well, and the Committee does not address the fund. Mr. O'Shaughnessy shifted focus back to the menu review within the Tier 2 funds and pointed out that under Ultrashort Bond-Stable Value those funds would remain the same, no recommended changes. Under Long-Term US Government-Intermediate US Government Wells Fargo Governmental Securities Inst is not performing so the recommendation is to move it to Fidelity Government Income. Then under Intermediate Term Bond AMG Managers Loomis Sayles Bond I and Janus Henderson Flexible BondN are not performing so the recommendation is to move then to Western Asset Core Bond IS. The next recommendation is under Emerging Markets Bond-World Bond to remove Fidelity New Markets Income because it did not meet the threshold of SageView score of 25. Mr. O'Shaughnessy's next recommendation was in the Large Cap Value category where six funds would be replaced by Columbia Dividend Income Inst3. The six funds to replace are American Century Large Company Value R6, Fidelity Equity Dividend Income K, Fidelity Equity-Income K, Fidelity Stk Selec Lg Cp Val, Fidelity Value Discovery K, and Invesco Growth and Income R6. Under Large Cap Blend he recommends replacing Neuberger Berman Sustainable Eq R6 and Oakmark Investor with DWS Core Equity R6. And, in Large Cap Growth the recommendation is to remove four underperforming funds with ClearBridge Large Cap Growth IS. Mr. O'Shaughnessy's next recommendation was in Mid Cap Value where he recommends replacing Fidelity Mid Cap Value and Fidelity Value K with Victory Sycamore Established Value R6. With Mid Cap Growth he recommends moving American Century Heritage R6 and Fidelity Growth Strategies K to Janus Henderson Enterprise N. Mr. O'Shaughnessy then moved to his recommendations for Small Cap Blend and he pointed out that with Loomis Sayles Small Cap Value N there is no clear destination as to where to map this fund and the assets will be mapped to a Small Cap Index Fund. Mr. O'Shaughnessy's next recommendation is under Small Cap Growth where the recommendation is to remove Hartford Small Cap Growth Y and Neuberger Berman Genesis R6. Mr. O'Shaughnessy final recommendation is within the International Large Growth where he is recommending five funds be moved to Fidelity Intl Cptl Apprec K6. Mr. O'Shaughnessy informs the Committee that with this menu review does two things; one, it clearly defines what funds are offered and two, it raised the bar from a SageView score of 30 to a SageView score 25. Mr. Atin noted the recommendations affected a lot of Fidelity funds and is wondering how that will affect the recordkeeping agreement. Ms. Rogers states that right now it is at 66%-100% and if the Committee approves all the recommended changes it will go down to 59% and that would take it from 3.75 basis points to 4.5 basis points which is the next level in the recordkeeping agreement. Mr. Atin asked how much more in dollars that would equate to. Ms. Rogers said it would approximately $75,000 annually. Mr. Atin wanted to confirm that there would be no fees charged to participants. Ms. Dowdy indicated that is correct, participants would not be charged any additional fees. Mr. Atin asked what the timing would be for the recommendation to be mapped out and if there would be special communication to participants. Ms. Rogers said it would take about 60 days and special communications would be created to inform participants. Ms. Mand

asked Ms. Dowdy how long she would need for the process. Ms. Dowdy stated the last menu consolidation took a couple of months so ideally would want the same time structure. Mr. Atin asked if 90 days would be enough time. Ms. Rogers mentioned that last time it took about 60 days to prepare the communications so 90 days would be plenty of time. Ms. Dowdy informed the Committee that the next meeting is scheduled in November and at that time the Committee could review the draft communications. Mr. Atin asked to confirm that for the November meeting the Committee would have the mapping with fund actions and communications to participants. Mr. O'Shaughnessy and Ms. Rogers stated that the next meeting the Committee would have the final mapping of funds as well as a draft of communications to be reviewed. Mr. Atin moved, and Mr. Burgh seconded to accept SageView's menu structure review and accept the outlined fund menu recommendations. The motion carried.

8. **Report of Independent Auditors and Financial Statement.** Mr. Kory Hoggan, Certified Public Accountant, Partner Moss Adams began his presentation by reviewing the reports issued for the year ending December 31, 2018. The reports issued were an audit report on the financial statements of Ventura County Section 457 plan, Ventura County 401(k) shared saving plan, and GAGAS report on internal control over financial reporting and on compliance and other matters. Mr. Hoggan also wanted to point out before moving on with any information that all information is an unmodified opinion or clear opinion which is being presented fairly in accordance with accounting principles generally accepted in the US. Next, Mr. Hoggan noted the Section 457 Plan at the end of December 31, 2019 had a little over 10 million in participant contributions and the 401(k) Plan had over 40 million in participant contributions with a little over 10 million in employer contributions. Mr. Hoggan then shifted focus on the areas of audit emphasis with a summary of what is done during an audit which consisted of looking at internal controls, analytical procedures, and substantive procedures where the final testing was having a read only access to ensure everything was being administered correctly. He pointed out that a lot of time was spent in looking back at historical information since this was the first time an audit was conducted on the Plans. Next, Mr. Hoggan focused on weaknesses or deficiencies in internal controls and stated there were no weaknesses or deficiencies found. He mentioned part of the audit consisted of speaking with the Auditor-Controller and County Council to determine there were no illegal acts or fraud as well as performing test transactions. Mr. Hoggan stated audit showed there were no illegal acts or fraud. Mr. Hoggan wanted to inform the Committee of an upcoming standard with GASB 84 which affect the County of Ventura in 2020. He pointed out GASB 84 defines four types of fiduciary funds including pension and certain employee benefit plans administered through trust. Mr. Hoggan noted he is recommending the Committee think about administering GASB 84 and pointed out the County of Ventura has two years to consider decision tables within GASB 84. Mr. Hoggan ended his presentation by once again pointing out there were no areas of concern as a result of the audit. Mr. Burgh moved, and Mr. Polich seconded, to receive and file the information. The motion carried.

9. **Fidelity Investments Quarterly Service Review.** Ms. Suzanne Rogers, VP, Managing Director, Fidelity Investments stated the Committee could receive and file the information for Q2 2019 service review. Mr. Burgh did have a question in regard to the beneficiary on file percentage of active participants and wanted to know if 68% was a low number. Ms. Rogers mentioned the 68% is actually high and some plans are only at 50% with having a beneficiary on file for active participants. Ms. Mand asked if 33% of active participants having at least one outstanding loan was a high percentage. Ms. Rogers

stated that yes it was in comparison to the peer average which is 26%. Mr. Atin also pointed out the 26% peer average group was a governmental benchmark. Ms. Rogers stated additional workshops on budgeting would be helpful to further educate participants. Mr. Atin noted that he thought we were already doing those types of workshops. Ms. Dowdy stated we offer several workshops focusing on budgeting with Fidelity and Ventura County Credit Union. Mr. Atin moved, and Mr. Burgh seconded, to receive and file the information. The motion carried.

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

Ms. Mand adjourned the meeting at 4:04 p.m.

Respectfully submitted,

Laura Hernandez

Laura Hernandez
Deferred Compensation Coordinator