VENTURA COUNTY
DEFERRED COMPENSATION COMMITTEE
401k Shared Savings Plan
CEO Anacapa Conference Room
March 31, 2021
2:00 p.m.

Members present
Shawn Atin
John Polich
Jeff Burgh
Steven Hintz

Members absent
Kaye Mand

Also present
Patti Dowdy
Wanda Crane
Amanda Diaz
Tracy Sewell
Suzanne Rogers
Joan Steel
Jake O'Shaughnessy
Phil Haslam
Andrew Kremer
Lori Nemiroff

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 December 3, 2020.** Mr. Atin moved, and Mr. Burgh seconded to approve the minutes. The motion carried.

4. **SageView Advisory Group 4Q 2020 Investment Review.** Mr. Jake O'Shaughnessy, Managing Director SageView Advisory Group LLC, began his presentation with a review of the Ventura County Watch List Summary. He stated that when funds in the menu fall below the median quartiles, they will then be placed on the watch list, and can then be replaced or taken off the list. Three funds are on the watchlist summary: Columbia Income Opportunities Inst3, Fidelity Contrafund K6, and Fidelity Overseas K are currently not meeting expectations; all other funds in our plan are meeting the expectations of the Committee. Mr. O'Shaughnessy then reviewed the major headlines: the vaccine rollout, stimulus and additional rounds anticipated, and the presidential election that resulted in a new administration. The GDP was down 2.5% in the US from an equity market standpoint, and the S&P 500 was up 18.40%, Overall, 2020 was a good year for equity and bond returns. He added that interest rates were falling, but there was a reversal starting in 4Q of 2020. The election switched the House and Senate, and there is a narrowing of the gap and there isn't an expectation to progress the agenda as the Senators have a lot to say on what is passed - even more than the President. Next, Mr. O'Shaughnessy discussed the economic scoreboard. The economic growth has been dampened by interest rates, which are currently at 1.7%, but there are concerns about inflation. There has also been trade tensions, but there is optimism about less trade tensions in the future, although they have not gotten better so far. He noted that people were not trading and selling stocks with the expectation of future earnings. Mr. O'Shaughnessy then went over the Capital Markets Overview. There has been a lot of volatility, the environment has been 50/50 between stocks and bonds.

Funds such as the Target Date Funds have a long-term focus. He then proceeded to discuss U.S. Equities. He noted that 2020 was a volatile year, there were a lot of growth stocks that performed very well over longer time frames. Funds such as Google, Apple, and Facebook, as during the pandemic consumers consumed more. Interest rates dropped almost to zero percent, and there was a shift in consumption and trade. Investors were investing in funds such as Apple, Netflix, and Google created a "market froth" as the money was free and now it is going to drop, so investments are changing away from these funds. Mr. O'Shaughnessy then reviewed U.S. Equities, where he stated most equities were in growth equity funds. In the first nine months of 2020, growth led the rally and then value stocks came back. Russell mid-cap had higher performance in 4Q than YTD. Value stocks came back into focus during the 4Q 2020. Overall, investors did well, and growth stocks were up 40%. He added that it is a risky time to evaluate managers as 9 of the 15 funds experienced a growth rally, and the trend has gone back to value stocks the last 6 months. There has been a huge influence of growth rally and he suggests giving a pause due to a very aggressive trend in the portfolio in looking at the 4Q. Next, Value vs. Growth was discussed, where growth outperformed value. Stocks are over value and we do not have an economy to support this; we have a way to go for full capacity in the economy; we are not there yet. There are a lot of reasons for optimism and expecting nearing growth in the future. There has been extreme growth in capital gains and corporate taxes and cuts, this could cause stock to sell off dramatically. Today, there are high values and trading on optimism. In terms of debt and household worth, debt has gone down while household net worth has increased. Things are looking strong, a lot of stimulus funds went into the bank, meaning people are sitting on capital to spend later, for things such as a trip, car, etc. Moving on to the International Market, he highlighted that the US dollar has gotten strong, and overall, the US is strong. Mr. O'Shaughnessy then reviewed Federal Finances. He noted that by the end of 2020, the Federal net debt to GDP was at 100%. However, what is more concerning is the future trajectory as we take on more debt; for example, $1.9T has been approved for things such as infrastructure. What we can do is increase revenue, or do not spend as much as approved. Equities are less attractive if taxes are increased. On to fixed income, at the end of 2020 rates fell very low, and by the end of March 2021 they popped up again. People are worried that interest rates are rising, and this can create unexpected inflation, the economy is growing, but money is not being lent at low interest rates. Next, Mr. O'Shaughnessy provided a SageView Investment Committee Update. The SageView Committee looks at each asset class and reviews for menu consolidation, they have issued a couple of white papers as well. They also reviewed recent relationship pricing incentives, including target date funds; working with Fidelity as a partner to bring cost savings to Ventura County soon. He then stated that SageView is a founding member of the Institutional Investing Diversity Cooperative, and the shared goal is to reach people where and when they want to be met. They review current diversity statistics, review benchmarks, and suggest improvements. Next, moving on to Regulatory update. The DOL does not oversee the 457, but it influences in setting the direction of the plans. In terms of the ESG, the new administration is more supportive. Excess Fee Litigation is slowing down, there has been a lot of boiler plate and it has been largely unsuccessful. Mr. O'Shaughnessy then reviewed the Ventura County 401k Asset by Allocation information. The largest plan in the fund is the Fidelity Contrafund K6, with 8.65% of the plan assets; this is a very big plan and has been underperforming a little. The 2nd largest holding is the self-directed brokerage, this is not too surprising, it totals 6.14% of plan assets and the total assets are $71M. After that, there are the Fidelity Freedom 2020K, the Clearbridge Large Cap Growth IS; and the Fidelity Freedom 2030K funds; Clearbridge and Contrafund are both large cap and have long term growth. There is $65M in Contrafund, he reminded the Committee that SageView looks at every dollar in the plan, and that all funds are meeting expectations. Mr. Atin asked why the Committee is not reviewing the self-directed Brokerage Accounts (SDB). Ms. Joan Steel advised that plan sponsors are not monitoring these funds as there are thousands of funds in SDB and if the plan sponsor started looking certain funds in SDB the Sponsor would be responsible for monitoring all available investments not just a select few. In addition Ms. Rogers stated there is disclosure to participants before they elect SDB that states the investment options in SDB are not monitored by the plan sponsor. Mr. Atin then also asked if with the annual Committee review should there be additional disclosure that private plans provide? Ms. Rogers noted that for ERISA plans there is the DOL 404(c) regulation, whereby fiduciaries are afforded 404(c) protection only when a participant is given an opportunity to exercise control and has in fact exercised independent control and are offered a broad range of investments. Compliance with 404(c) is not mandatory and County is non-ERISA and is not covered by the regulation however, Fidelity is already providing the participant Non-ERISA 404(a)5 fee disclosure which encompasses most of the 404(c) disclosure and the County offers many more total investments in all categories well above those needed for 404(c). Moving on to the Manager Diversification as of December 31,2020, which shows all the assets in the entire plan and are grouped by asset type. In the Self-Directed Brokerage there are 6.1% of the plan assets in this fund, and the market value is at $71M. the average weighted fee is at 0.5%, which compares well to the 0.9% benchmark. Mr. O'Shaughnessy then discussed how participants are using the plans, 32% of participants, which is equal to 1/3 of the participants, are using Target Date Funds. SageView is ensuring the County has lower cost funds being offered to participants. The 60/40 balance of funds, in which 40% of the plan is in Target Date Funds, Assets are defaulted to Target Date Funds, participants can elect various funds or have it all go to a Target Date Fund. Looking at International Funds, they are not popular, and there is less than 1% in emerging markets, .2% in Global Equities, 3.4% in Global Equity Large Cap funds; 5% of funds are invested in equity products. In terms of Small Cap funds, there is less than 1% in all 5 funds. 7.3% of all assets are invested in the Mid Cap funds, they are quite popular, with the Victory Sycamore Established Value R6 being the most popular. Overall, these funds all perform well. The most important fund within the plan is US Equity Large Cap Growth, this is the best category and $1 out of every $5 is here in this plan. The Target Date Funds and Large Cap Growth Funds hold more than half of all assets in the plan, they are growing in popularity and overall, the fees for these funds are low. There is only one fund in which a performance investment review needs to be done (fund?). For the 457 plan, there are 12% of plan assets in the Self-Directed Brokerage, with a total of $29M in assets. Fidelity Contrafund is the second largest fund, and Fidelity Target Date Funds are a bit further down the list. With both plans, the Brokerage and Contrafund are at the top of the stack. 20% of assets are in Large Cap in the 457, and 24% are in Target Date Funds, there is also a high usage in the Self-Directed Brokerage with 12% of assets. After reviewing the plan and how it is utilized, the following are funds historically placed on the "watch list": 1. Columbia, Fidelity Contrafund, Fidelity Overseas as it went below the median in Q4 all in 50's. SageView recommends placing these funds on the watch list, and then reevaluate after the 1st quarter to see what to do at that time. Mr. O'Shaughnessy was glad to report all other funds are performing well and meeting expectations. Mr. Atin moved, and Mr. Polich, to approve the watchlist recommendation from SageView, and receive and file the report. The motion carried.

5. **Fidelity Investments Quarterly Service Review.** Ms. Suzanne Rogers, Senior Vice President, Managing Director, began her presentation with the Plan assets. There is currently $1.4B in plan assets, the plan has been at a healthy growth rate since 2018. There are 9,850 total participants in the plan, this includes active and termed participants. Fidelity has focused on cyber security and digital enablement; they want to make sure participants are secure. She noted that there are four criteria needed for digital contact enablement (allow electronic delivery, have an email on file, have a mobile phone on file for two factor authorization, and registered on NetBenefits), 78% of participants are fully digital ready and meet all four criteria. There have been over 8,000 online visits, with an average time of 3.5 minutes spent online, and half of the participants are using mobile devices to access their account, and half of the participants are using a desktop to access their account; over 4,000 unique visitors have completed at least one online transaction. 91% of participants are registered for NetBenefits, 60% have logged in their account within the last 90 days, and 1.7% are currently enrolled in the two-factor authorization. 17% of participants are enrolled in MyVoice, which is a voice biometric in phone channel, and 97% of participants are eligible to receive real-time alerts In addition, 90.3% of participants are set up to receive SMS alerts for reasons such as others trying to log in to your account, the participant would be contacted. If the Committee would like, Fidelity can partner with County IT for further cyber-security in the future. Next, Ms. Rogers reviewed the Executive Summary. 96% of participants are contributing to the plan, which is above the best practice rate of 95%; the average total savings rates are 11%, just under the best practice rate at 15%. The County has a very strong engagement rate at 86%, compared to the best practice rate of 80%. Moving on to Percent of Active Participants Contributing, new employees are participating in the plans and the County has a total of 96% of active participants with a balance that continue to save in the retirement plan, which is well above the peer average at 88%. There have been 605 employees that have enrolled in the plan in the prior 12 months either online or via mobile enrollment, about 1/3 of participants use the EasyEnroll feature, and 2% enroll through other channels. Ms. Rogers then highlighted the County's retirement savings rates: 10.8% is the average Total Saving Rate (Employee and Employer) for active participants with a balance. Employee participation is broken down by generation: Gen Z is at 1.0%, Millennials are at 8.8%, Gen X is at 11.1%, and Boomers are at 13.4%. She noted that 40% of active employees defer 8% or more of their compensation to their retirement plan, and 26% of participants are enrolled in the Annual Increase Program; she also mentioned that some public sectors are using auto-enroll, this may be something the County may want to consider implementing in the future. Regarding Asset Allocation, Ms. Rogers stated that 74% of participants equity allocation is aligned with a Target Date Retirement, and the generations that are the most strongly allocated are the older generations, Gen X and Boomers. Participant Investments: there are 42%of investors in the Do-It-For-Me (DIFM) Target Date Funds, 20% are using a DIFM Managed Account, 9% are using DIY with help, and 30% are using DIY without help. Then, Ms. Rogers discussed the Loan and Withdrawal Activity. 30% of active participants have at least one loan outstanding compared to the 19% peer average; *note*: this includes the CARES Act distributions. For CARES Act distributions, 838 unique participants have taken a CARES Act distribution, representing 11.7% of active participants with a balance.; 343 (41%) have taken more than one CARES Act distribution. $28.8M in total distributions were initiated with a total of $6.7K as the median distribution amount, and 82 participants have requested the full $100K. Next, moving on to CARES Act Loan and Deferments, there were 83 unique participants who opted for a loan deferment, $1.3M in total loan balance deferred, $14.3K median loan balance deferred. Ms. Rogers added that participants will have up to three years to pay

back the withdrawn funds, in addition to having the tax consequences amortized over three years. Ms. Rogers then noted that investors are largely staying the course with their investments. 72% of participants did not make an exchange in their account since 3/1/2020, very few participants made exchanges, and most participants are in age appropriate equity allocations, at least 80% invested in a single target date fund, or enrolled in a managed account. She highlighted that participants continue to save, only 8.1% of participants decreased their contributions, 25.1% of participants increased their contributions, and most (66%) participants made no changes - only 44 participants stopped contributing. Up next, Mr. Haslam reviewed the employee engagement for the previous quarter. As of 3/16/20, Andrew stopped meeting with participants face-to-face and has continued to meet with participants virtually and by phone. Fidelity's goal is to meet people how they want to be met. There was a total of 12 live web workshop events with 200 attendees, on-demand workshops with 40 attendees, in addition to national webcasts with 20 attendees. He added that there were over 700 employees who met with Andrew for a one-on-one appointment; 28% were virtual appointments, with appointment utilization at 58%, and 130 participants who made an investor center visit. Next, Mr. Haslam went over web workshops, which are offered to employees both live and on-demand. The County held 12 plan-specific events with 193 attendees, of which 36% acted after attending an event. Participants can call in for one-on-one service, there were 1.4K guidance calls handled, and over 53% of callers acted after a call. Moving on to engaging employees based on their needs, Fidelity takes a look to see where participants' fall (paycheck to paycheck, foundation builders, priority balancers, retirement accumulators, or wealth maximizers), 19% are active participants who are paycheck to paycheck, 22% are foundation builders, 46% are priority balancers, 3% are retirement accumulators, and 9% are wealth maximizers – all of the categories look at average age and average tenure as well. Regarding participant engagement, County employees are highly engaged. 86% of active participants have contacted Fidelity by phone or logged into NetBenefits; EE's are looking at what is going on with our plans. There is a very small percentage of EE's who are deeply unengaged or engaged, most employees are engaged and even more so than last year. Then, Mr. Haslam discussed employee engagement. 98% of participants in the "highly and educated engaged" category are contributing, and even in the "unengaged and deeply unengaged" category, there is a 9% total savings rate in this group. The more funds are saved, the more ready participants will be for retirement. The following is a breakdown of engagement channels that employees utilize: 406 participants met with Andrew as the field planner (45% took action thereafter), 566 participants spoke with a phone planner (63% took action thereafter), 229 participants attended a live web workshop (50% took action thereafter), and 651 participants went online (54% took action thereafter). 55% of participants took action within 90 days following a channel engagement, and the types of actions taken are as follows: 43% made a fund exchange, 19% increased their deferral, 5% managed account enrollment, 4% consolidated assets, and 5% made a fund exchange to a TDF. Fidelity offers online tools and a financial wellness assessment, a survey was held for the County and there were 323 survey respondents, which equals 5% of the total number of employees. For the financial wellness assessment, 75% of survey respondents say they feel ok or confident regarding household finances, 50% of respondents say they are just getting by or are overwhelmed by spending, 24% have little or no savings for an emergency, and 43% say they are worried about their debt (credit card, home and student loans). Fidelity has third-party point solutions that are offered at a special value for employees when accessed through NetBenefits, such as debt and credit card counseling, tax preparation services, home loans, identity protection, online estate planning, online attorney directory, student loans, college test prep service and college admission counseling. Lastly, Mr. Haslam finished up with communication and education campaigns. These communications have a strong email open and take action rate, 98% of participants have an email on file with Fidelity, and 70% of active participants have a beneficiary on file with Fidelity. Mr. Burgh moved, and Mr. Hintz seconded to receive and file the information. The motion carried.

6. **Third Party Point Solutions**. Ms. Dowdy advised the Committee that Fidelity's "Plan for Life "financial wellness offering expanded a while back to include the offering of 3rd Party Point solutions for a variety of financial goals outside of retirement savings. She explained that currently participants complete their Financial Wellness Checkup through which they are provided a financial wellness score and a personalized plan that highlights actionable next steps across all financial needs. They are then directed to topic pages that provide educational tools and resources on a broad range of topics. The 3rd party solutions would take this guidance to the next step by offering accessibility to resources/vendors that can help with the needs identified or area of interest. These vendors have been vetted by Fidelity and a lower service fee with those that charge for service negotiated. A few of the services currently available through this enhancement include; *Credible*- Aids with student debt refinancing, *Money Management International* provides credit counseling & debt management services, *ID Notify* (a part of Experian)- Provide identity protection, *LegalZoom*- Online estate planning, *TurboTax and H&R Block*- Tax Preparation Services. Ms. Dowdy explained that if a participant elects to enroll in one of these services, it is done outside of the Plan directly with the 3rd Party vendor. Any fees are paid directly to the vendor and Plan assets are not utilized. She notes that the Committee had previously discussed the possibility of offering these solutions to participants. Before deciding on whether to add this enhancement to the plan the Committee first wished to confirm the County's indemnification if a problem arises between the 3rd Party vendor and a participant, and a review of Fidelity's selection and vetting procedures for the included vendor was also requested. With respect to the indemnification, Fidelity confirmed that the Plan Sponsor is not responsible for any claims/issues raised by participants who decide to use the optional third-party point solutions. Participants acknowledge before accessing the 3rd party site that they are responsible for the activity after leaving NetBenefits. This disclosure includes a reminder that their employer is not responsible for the 3rd party site. The extensive process utilized by Fidelity to determine which services to offer, vendor vetting, onboarding and ongoing monitoring was reviewed with the Committee by during the December 2019 meeting. At this time, the Committee then directed staff to complete an employee survey to assess the interest level of employees in these services. Ms. Dowdy advised that staff had completed this survey and the results were attached for the Committee's review. The survey provided a brief summary of the 3rd Party Solution offering and asked two simple questions; "How likely would you be to take advantage of these services if made available? and " Of these services, which would you like to see offered?". We received responses from 564 employees. These responses found that most are very likely (31.21%) or somewhat likely (33.51%) (65% of respondents) to take advantage of one or more of these solutions. Estate planning, identity protection, tax preparation and credit and debt management were the most popular of the listed services. Ms. Dowdy stated that based on the responses received there is definite interest from our employees in these offerings. Making these services accessible through our current Financial Wellness offering is also the logical progression to provide employees actionable next steps to assist them in areas that they are needing additional guidance or resources. Mr. Burgh moved and Mr. Atin seconded to enable the 3rd party solutions through Fidelity as part of the enhanced Financial Wellness offering. The motion carried.

7. **Information Agenda.** Ms. Dowdy reviewed the Expense Revenue Credit Account, Q4 Safe Harbor Hardship Withdrawals, and Facts and Circumstances withdrawals. She noted that there has been a large uptick in hardship requests now that the CARES Act provision is no longer available. Mr. Hintz moved, and Mr. Atin seconded to receive and file. The motion carried.

Mr. Hintz adjourned the meeting at 3:08 p.m.

Respectfully submitted,

Amanda Diaz

Amanda Diaz
Deferred Compensation Program Assistant