

**VENTURA COUNTY
DEFERRED COMPENSATION COMMITTEE
Section 401(k) Shared Savings Plan
CEO Channel Islands Conference Room or via Zoom
December 9, 2021
2:00 p.m.**

Members present

Shawn Atin
John Polich
Jeff Burgh
Kaye Mand
Steven Hintz

Members absent

Also present

Patti Dowdy
Patty Zoll
Amanda Diaz
Paul Donahue
Kamil Manuel
Jake O'Shaughnessy
Stuart Payment
Joan Steel
Suzanne Rogers
Andrew Kremer
Brad Norton
David Schneier

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

1. **Public Comments.** None.
2. **Committee Member Comments.** Ms. Patti Dowdy announced that she has been promoted to Benefits Program Manager, and Ms. Patty Zoll has taken on the role of the Deferred Compensation and Supplemental Retirement Plan manager. Ms. Dowdy will still be helping and assisting Ms. Zoll in her new role.
3. **Minutes of Regular Meeting August 19, 2021.** Mr. Hintz moved, and Mr. Burgh seconded to approve the minutes. The **motion carried.**
4. **Fidelity Cybersecurity Presentation.** Ms. Zoll, Deferred Compensation Program Manager stated that the topic of cybersecurity was touched on at a previous meeting and the Committee felt it is important to review this information and bring in Mr. Kamil Manuel, Chief Information Security with the County of Ventura IT Services Department for his input. Next, Ms. Suzanne Rogers noted that part of the DOL guidance includes cybersecurity and is a great part of the fiduciary role that the County has, in addition to cybersecurity being important for the record keeper. She introduced Mr. David Schneier, part of the Customer Protection Team with Fidelity. He has experience in evaluating vendors and utilizing various programs for cyber and fraud detection, and he knows how to address any issues that arise.

After DOL guidance was provided in April 2021 to evaluate and monitor service providers, nothing was in place for retirement service providers. Due diligence is necessary in the following areas:

1. Ensure certain controls are in place, and providers are required to keep an attestation that controls are in place and working.
2. Vendor Management.
3. Educate employees and drive engagement numbers higher.

In addition, Plan Sponsors have been seeking help with guidance since the DOL guidelines were released. Fidelity can assist to shrink the threat landscape as attempted fraud contributes to rise. Mr. Schneier noted that there are a lot more funds in retirement savings than an average checking account, the average account with Fidelity is \$100,000 and the yield is greater, with no legal protection for record keepers to protect the funds in their plan(s) like banks have with FDIC insurance. He assured the Committee that Fidelity is committed to customers and they are continuing their on-going dialogue since receiving DOL guidance in January 2020. He reminded the Committee that legally they don't have to comply with this guidance, and although it is voluntary for the plan sponsor, it is important and Fidelity is already positioned with the issued guidance.

With this information in mind, it's important to point out that Fidelity is in touch with security and is an industry leader in this area. Mr. Schnier highlighted the following:

- Fidelity has over 1,000 dedicated full-time employees in cyber-security.
- They have a \$200M budget for cyber-security and fraud prevention.
- Fidelity possesses 3 certifications with well over 300 controls in place, and they are audited annually by an outside firm on these controls.
 - o There are audit reports for each product and service that can be made available to the Committee by reaching out to Ms. Rogers.
- Fidelity protects the County's greatest asset, its employees.
- Fidelity can detect if a client is susceptible to a ransomware attack, and will engage with the client and their IT, in addition to making a subject matter expert available.
- Fidelity continuously monitors the dark web.
- Over the last 5 years, there were attempted attacks on \$1.3M in accounts, with zero of those attempts being successful.
 - o Ms. Zoll asked how Fidelity reaches out to participants is there's an attack, Mr. Schneier noted that it's either by mobile number, text notification, email or mailing to address on file of the suspicious activity (depending upon the participant's established communication preferences). He added that real time alerts are the most important feature they have in place as they are quick and can be sent to a participant's cell phone.
- Mr. Schneier added that Fidelity's customer protection is the most comprehensive in the industry. Although fraud can't be eliminated, they do offer protection for customers in various forms.

Mr. Kamil Manuel, Chief Information Security with the County of Ventura IT Services Department discussed the Vendor Security Assessment that was performed on Fidelity. He noted the following:

- This was performed at a high level and is designed to confirm that the organization has baseline secondary controls in place.
- This was an opportunity to perform an assessment that allows a bird's eye view of how a vendor is protecting data.
- There are nice features, and there are a lot of reviews that Fidelity undergoes.
 - o This opportunity was provided to the County for viewing and to see if there are any deficiencies. It also allowed allow insight into the protections Fidelity has in place.

- The overall outcome was positive and showed that Fidelity has proper controls in place. It was determined that there is a low risk based on the frequency and likelihood of impact severity.

Judge Hintz moved, and Mr. Burgh seconded to and receive and file the information. The **motion carried**.

- 5. Fidelity Investments Quarterly Service Review.** Ms. Suzanne Rogers, Senior Vice President, Managing Director, began with an introduction to Mr. Brad Norton, CFP, VP, Workplace Regional Manager, who replaced Phil Halsam as he retired in August. Mr. Norton then gave his briefly introduced himself and that he recently transitioned to his new role back in August and works with Andrew and the participant education team.

Ms. Rogers then began her presentation with a legislative and regulatory update. There was recent legislation passed by the House of Representatives surrounding the Build Better Act in November 2021 that is now in the Senate for deliberation, this will continue to be monitored and additional information will be provided. This Act will improve workplace benefits such as:

- Provide a Roth in-plan conversion.
- Prohibit Roth conversions of pre-tax and ER contributions for higher income earnings beginning in 2032.
- Increase an individual's RMD for IRA's, Roth IRA's, and DC plans.
 - o See page 3 of handout for additional information.

In addition, she mentioned that the DOL Fiduciary Investment Advice updates that include:

- IRA's and HSA's.
- Reinstating the five-part test when providing investment advice, including distribution recommendations.
- Fidelity acts a fiduciary when a participant comes to them for advice, they follow the ERISA guidance.
 - o The DOL temporary non-enforcement policy is in effect until 1/31/22, further guidance to come on this.

Ms. Rogers then provided an overview of the Q3 plan stats:

- There is currently \$1.5B in the plans, and she noted that the plans have experienced healthy growth.
 - o Of these funds, \$1B are held by active participants, and the inactive (termed and retired) participants make up the remainder of the \$500M in funds in the plans.
- 73% of active/eligible participants are contributing to the plan and based on tenure the longer the tenure the higher the participation rates are.
 - o It's important to have the newly hired employees participate as soon as possible.
- The average retirement savings rate (employee and employer) for active participants with a balance is 12.2%.
- 42% of active employees defer 8% or more of their compensation to the retirement plan.
 - o 34% contribute 10% or more.
 - o Almost 1/3 of participants are enrolled in the annual increase program.
- 75% of participants' equity allocation is aligned with a Target Date Retirement Date.
 - o Boomers are a bit more aggressive than other generations.

- Participant Investments, Do-It-For-Me (DIFM) vs. Do-It-Yourself Investors (DIY).
 - o A small number of DIY investors use tools such as the phone, and Andrew, and most DIY investors do so without any help.
 - o The DIFM investors either use a Target Date Fund (TDF, 43%), or a Managed Account (21%).
- 28.4% of active participants have at least one loan outstanding.
 - o 5.8% of participants have taken a hardship withdrawal in the previous twelve months.
 - o Communication was recently sent out regarding the CARES Act distributions, with a reminder about the repayment option.

Moving on to employee engagement, Ms. Rogers noted that 85% of active participants with a balance have contacted Fidelity by phone or logged into NetBenefits.

- Looking at balances, age and participation, overall majority of the participants are engaged either at the basic, education, or highly engaged level.
- The higher the engagement, the higher a participant's savings levels are

Ms. Rogers then discussed the highly engaged employees, with 28% of the County's participants being at this level.

- Mr. Atin asked if, and how Fidelity has reached out to unengaged employees.
 - o Ms. Rogers stated that Fidelity sends various messages, in addition to offering webinars, and reminders of adding/updating beneficiaries to connect to this group
 - There are other resources available, and Andrew assists in this effort as well.
 - There are workshops offered, available tools online, and participants are more likely to act after engaging.
 - 10,000 of unique participants received a standard campaign email message, with a 42% email open rate, and 15% act rate.
 - o 93% of active participants have an e-mail address on file.
 - o 62% of active participants have a beneficiary on file.

Next, Andrew Kremer, CFP, Fidelity Dedicated Retirement Planner reviewed the Q3 Ask Fidelity stats.

- 3 Ask Fidelity sessions are held per month on the 2nd Wednesday with rotating topics.
 - o The 3rd Wednesday of each month is for new hires.
 - o The last Wednesday of the month is an open Q&A.
- In Q3, on average, there were anywhere from 25-70 participants depending on the topic(s).
- The one-on-one appointments are filled up, and he noted seeing the following trends and information shared during the appointment:
 - o More inquiries on the ESG related funds in the younger participants.
 - o There are a lot more participants using BrokerageLink.
 - o The County offers a robust lineup.
 - o He suggests the annual increase program to new hires and setting it up early.

- Participants that are mid-career are checking in to see if they're on track, and if they need to increase their contributions.
- Participants in SEIU are reaching out more to increase their contributions, and he thinks this is likely due to the recent change in the match scale.
- Upcoming retirees are increasing their contributions, as well as taking more risks with their assets.

Judge Hintz moved, and Mr. Atin seconded to receive and file the information. The **motion carried**.

6. SageView Advisory Group 3Q 2021 Investment Review. Mr. Jake O'Shaughnessy, Managing Director SageView Advisory Group LLC, began his presentation with the five funds over the last year that have gone below the median at some point:

- Columbia Income and Opportunities Inst3
 - Placed on watch EOY 2020, 3rd quarter in a row on watch, this is a share class fund.
- Fidelity Contrafund K6
 - Largest held fund in the plan.
 - Lower cost share class, historically this fund wasn't made available to everyone.
 - K6 is now available as the County adopted less expensive options for participants.
 - The new fund has been performing close to the previous fund but is currently ranking worse.
 - The legacy fund has a 5–10-year performance and it pulls the old share class above median
 - Mr. Atin asked if a lot of employees who had the classic fund had it changed to the K6 fund?
 - Mr. O'Shaughnessy noted that the SageView method looks at a 10-year period, so if there isn't a 5 or 10-year period to look at it can't be factored in. SageView looks at all ranges, including the 1, 3, 5 and 10-year periods (if available, reference page 56 of the SageView Plan Investment Review for additional information).
- Fidelity Overseas K and Lord Abbett Affiliated R6
 - These funds have improved since being placed on watch, and they may be removed from watch at the next Committee meeting.
- Janus Henderson Enterprise N
 - Placed on watch mid-year 2021.

Mr. O'Shaughnessy is recommending keeping these funds on watch, and there are no additional funds being recommended for the Watch List at this time. Judge Hintz moved, and Mr. Burgh seconded to receive and file the information. The **motion carried**.

7. Continuation of Remote Teleconference Committee Meetings. Ms. Zoll, Deferred Compensation Program Manager reviewed the following:

- Changes to AB 361 and the Brown Act and how it impacts the quarterly DCC meeting.
 - This was discussed with Mr. Polich, and Counsel has approved the continuation of remote teleconference meetings.
 1. No need to schedule a special meeting of the Committee every 30 days.

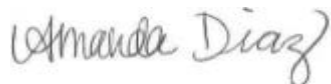
2. Mr. Polich added that the Committee can approve and adopt the resolution, and will be approved monthly by the BOS.
3. At the next quarterly meeting, if the public health order is still in place, remote meetings can continue.

Ms. Zoll stated that this will be a standing agenda item for the next meeting. Mr. Burgh moved, and Mr. Atin seconded to approve and adopt the resolution to continue remote teleconference meetings quarterly, and to receive and file the information. The **motion carried**.

8. **Annual Investment Policy Statement Review.** Ms. Patty Zoll, Deferred Compensation Program Manager noted that back in 2016 the Investment Policy Statement (IPS) was restated to incorporate SageView investment methodology; the updates pertaining to this year's review are in the appendices. She introduced Mr. O'Shaughnessy, who began his presentation with information regarding the overhaul that took place several years ago. This process was streamlined to Morningstar, and there was some legacy language that has been updated; and he noted that at some point he'd like to take a deeper dive to look further into the policy. Mr. O'Shaughnessy suggested that the County continue to trim down the investment menu that it offers plan participants. Ms. Zoll added that the IPS review requires a signature. Judge Hintz moved and Mr. Burgh seconded to approve the Investment Policy Statement as updated. The **motion carried**.
9. **Information Agenda.** Ms. Zoll, Deferred Compensation Program Manager reviewed the Expense Revenue Credit Account and Q3 Section 401k Shared Savings Plan Safe Harbor and Facts and Circumstances Hardship withdrawals. Mr. Burgh moved, and Mr. Atin seconded to receive and file. The **motion carried**.

Ms. Mand adjourned the meeting at 3:24 p.m.

Respectfully submitted,



Amanda Diaz
Deferred Compensation Program Analyst