VENTURA COUNTY
SUPPLEMENTAL RETIREMENT COMMITTEE

Point Mugu Conference Room, 4th Floor
Hall of Administration, County Government Center
800 S. Victoria Ave, Ventura CA 93009

Meeting Minutes for September 12, 2024
2:00 p.m.

Members present	**Members absent**	**Also present**
Scott Powers		Patti Dowdy
Emily Gardner		Patty Zoll
Jeff Burgh		Amanda Diaz
Sue Horgan		Eric Lee
Danielle Keys		John Garrett
		Ryan Gunderson

Mr. Powers called the meeting to order at 2:03 p.m.

1. Public Comments.
None.

2. Committee Member Comments.
None.

3. Minutes of Regular Meeting March 13, 2024
Motion to approve: 1**. Ms. Horgan** 2. **Mr. Burgh** **Motion Carries**

4. Review of the Actuarial Valuation dated June 30, 2024

Mr. John Garrett, Principal and Consulting Actuary with CavMac (CM) provided an overview of the pension side reporting and mentioned that a risk addendum was added this year. There are 13 active members in Part B, last year there were 17. In addition, there are new actuarial assumptions this year as the plan adopts VCERA's assumptions for the large group and with a drop in the discount rate it provides a source to increase the measure of liability in the plan. The actuarial assumptions are used to estimate future payments from the plan, and as the number of inactive members have decreased, the compensation also continues to decline.

Mr. Garrett stated that the plan assets are suffering losses from two years ago, but the plan is making headwind on the value of assets. As a reminder, the valuation does not take the market value of assets, but the stable cost to the plan and assumptions are made over 5 years, which means that the gains and losses are spread over a 5-year period; the plan's actuarial value exceeds the market value. As far as the unfunded liability, the gains and losses are not expected to fall into here and this offers stability for the plan. The Actuarially Determined Contribution (ADC) liability is dropping, and there was a $400k gain to the plan for movement of people out of the plan. Part C of the plan has frozen retirement benefits, there are 21 beneficiaries of the plan, and it is more than assets.

Mr. Garrett then continued his review of the plan's Part D, which are elected department heads and added that there are no longer any active participants in this plan. The plan is close to being fully funded and the liability will be paid off this year. There will be investment plan options available once the liability is paid in full, since there will be a negative cash flow and the Committee should consider options. One option may be to break away from using VCERA's rates and since the plan will be just funds being paid out but no funds coming into the plan, can look at possibly using long-term bonds. Mr. Eric Lee, Senior Portfolio Manager, Principal Custody Solutions, stated that the Committee should look at different contribution rates as the plan will have less equities and moving forward more contributions will be required. This information can be presented and reviewed by the Committee, and then determine what the best fit is. Mr. Garrett suggested looking at the proposed portfolio to estimate the rate of return on those plans. Then CM can price the available options and provide results back to the Committee to decide if they want to decouple from VCERA's rate. Ms. Patti Dowdy, Employee Benefits Manager, County of Ventura, stated that the funding policy approved by the Committee includes that the plan uses VCERA's rate, but it can be updated.

Mr. Garrett noted that there was a 9% loss actuarially and that the volatility can be limited by going to a different portfolio. Mr. Garrett referenced page 5, with the 5-year smoothing, there was a $200k gain in Part B, and a magnitude of picking up $6.5M can be seen over the 5-year span as well as the spreading of the gains and losses. The return on the actuarial value is 6.2%, and costs can be expected to increase over the next couple of years. Next, Mr. Garrett reviewed the layered approach that is used, there are 13 years left and it will be closed at 25 years. There is a remaining balance of $1.3M, spreading over the current active members and the new plan. The estimated contribution rate is determined on the DB plan and 457 payroll. Mr. Garrett noted that there is some information in the draft report that does not make sense, he will look into this further and change the draft report to match the payroll for the SRP457. Mr. Garrett recommends funding this plan as a percent of payroll, a dollar amount can be calculated for the required contribution, and then allocated to parts B, C, and D since there are so few actives. If the Committee wants to keep the amount as a dollar amount, the dollar amount can be provided for the current year as this will eliminate the ongoing problem. Part C and D are in dollar amounts, Mr. Garrett recommends this change for part B to have the unfunded liability paid for.

Regarding Part C, there are no actives in this plan and the benefit was offered as an early retirement benefit. Mr. Garrett noted that there has been a decline in liability, and there is no source of growth in this plan.

Part D has no active members in the plan, there is $50k of unfunded liability in the plan and it will be paid off by the end of 2026. Mr. Garrett stated that once the 7/1/26 valuation is completed the plan should be fully funded. Mr. Garrett recommended that the valuation draft be adopted, and the materially finished product will be provided with some updates. Note that the 4.11% of payroll may produce more than what is needed, $439k, and when that number is reach contributions can stop being collected.

Moving on to the risk assessment addendum, Mr. Garrett reviewed the addendum and stated that there is a low default risk, and the obligation measure is new this year. Mr. Garrett stated that there is no maturity risk in the plan since there are very few actives, this is a closed plan where liability is measured as a percent of payroll, and the ratios have gone down. Once there are fewer or no actives, the plan can be passed onto an insurance/annuity company.

Mr. Garrett mentioned that Part B is structured more efficiently than Social Security, with the total cost of this plan to the County being 4%, the employee contributes 3%. The previous plan was starting to get quite costly prior to the plan type change to better suit the population of short-term employees who do not need a DB plan. Historically the plan was performing well until 2014-2015, and Mr. Garrett noted that it can also be a burden to track people when it comes time for RMD's. Forfeiture options will be looked at in 2025 and outside counsel will look at escheatment and forfeiture separate from the trust.

Mr. Ryan Gunderson, Senior Actuarial Analyst with CavMac (CM) discussed the results of the GASB Statement No. 67. The GASB uses a different funding method than the valuation and it responds to methods and assumptions. To determine the UFL, the market value of assets is used along with a 5-year smoothing. The idea is to fully fund all future SRP benefits, and the 7% discount rate was used. The total pension liability is $28.5M, down from $29M last year and is attributed to the migration to the SRP457. The market value is $26.8M and this value overperformed the 7% rate of return. In addition, the UFL is down $3M to $1.7M; the funded ratio was 89% last year and is at 94% this year. Note: the accounting disclosures are included in the packet.

A. Motion to Receive and file the June 30, 2024, Draft Actuarial Valuation:

Motion to approve: 1. **Ms. Keys** 2. **Mr. Burgh** **Motion Carries**

5. Semi Annual Investment Review

Mr. Eric Lee, Senior Portfolio Manager, Principal Custody Solutions presented the semi-annual investment review to the Committee. Overall, it has been a good fiscal year and inflation is moderate although not completely gone, lower rates are likely to start being seen soon. There is a lack of new job creation and things have slowed down a bit. The S&P 500 was up 25% as of the end of June for the fiscal year, landing it above value and growth stocks. Weak returns were experienced in the mid and small cap areas.

Mr. Lee gave an overview of the numbers for the Russell 2000 index, large cap stock and added that these stocks make up 30% of the indices, with ½ in the top three stocks. At some point this will break and won't have the same dominance. Regarding cash flow, 20 years ago the beginning value was $18.5M and is at $26.7M today. Over the last five years there has been $9.3M in gains, and over $10M paid out of the plan, including plan conversions. It was also noted that the gains offset most of the funds going out of the plan and there are more funds going out of the plan than coming into the plan.

Mr. Lee discussed the variance as the equities are overweight, and a little bit underweight in the large growth is being experienced after the rebalance. This was a better quarter for growth than value, and it was underweighted for fixed income; rebalancing was mainly global.

Moving on to portfolio funds and performance, the plan has active management that helps recover some of the costs. The plan has 60% stocks and 40% bonds, the idea is to broaden diversifications; there was a change in the plan in this area about four years ago. The stock performance is up 11.28% fiscal YTD. There as a net return of 11.19% and the costs are broken down in the back of the handout.

From a fiscal standpoint, the large cap is where the plan lost in performance but made up in bonds. Mr. Lee indicated that there was a mismatch with benchmarking that caused a differential; it was mentioned that the Committee can get rid of growth and value stocks and look at just using the S&P 500. Looking at the small cap, it did well YTD and the 3 and 5 years outpace the benchmark. For fixed income, there are good excess returns in each measuring period. The global and international funds have lagged in equities.

Mr. Lee wrapped up with the portfolio review, located on page 34. It was mentioned that the overall management percentages and costs are in this section, and it is annualized at a point in time.

A. Motion to Receive and File the Q4 Principal Quarterly Client Report
Motion to approve: 1. **Ms. Horgan** 2. **Ms. Gardner** **Motion Carries**

Mr. Powers adjourned the meeting at 3:37 p.m.

Respectfully submitted,

Amanda Diaz

Amanda Diaz
Deferred Compensation Program Analyst