



**VENTURA COUNTY
SUPPLEMENTAL RETIREMENT PLAN COMMITTEE**

**Channel Islands Conference Room, CEO 4th floor
Hall of Administration, County Government Center
800 S. Victoria Ave, Ventura CA 93009**

**August 8, 2023
9:00 a.m.**

- 1. Public Comments.**
- 2. Committee Member Comments.**
- 3. Minutes of April 13, 2023.**
- 4. Consideration of IRS Ruling Request**

*If any accommodations are needed, please contact the Safe Harbor program at **805-654-2921** or by email at: Safe.Harbor@ventura.org.
Requests should be made as soon as possible but at least 48 hours prior to the scheduled meeting.*

**VENTURA COUNTY
SUPPLEMENTAL RETIREMENT COMMITTEE
Channel Islands Conference Room or via Zoom**

**Meeting Minutes for April 13, 2023
10:30 a.m.**

Members present

Shawn Atin
Kaye Mand
Emily Gardner
Jeff Burgh
Sue Horgan

Members absent

Also present

Patti Dowdy
Patty Zoll
Andrew Gratt

Ms. Mand called the meeting to order at 10:35 a.m.

1. Public Comments.

- a. Tony McHale, Fire Captain 23 station, 2nd Vice President of Ventura County Professional Firefighters Association.
 - The association is in support of IRS determination letter as they feel the determination letter would help with their interests in VCERA and their ability to offer this type of participation to their previously ineligible recruits – namely the fire control workers. Mr. McHale highlighted that this would be an avenue for the County to support fire control workers at “no cost”.

2. Committee Member Comments.

- a. No committee member comments were provided.

3. Minutes of Regular Meeting December 8, 2022

- a. Ms. Horgan abstained from voting due to her recent appointment to the committee after the previous committee meeting on December 8, 2022.

Motion to approve: 1. **Mr. Burgh** 2. **Mr. Atin** **Motion Carries**

4. Consideration of IRS Ruling Request

Ms. Patti Dowdy, Benefits Manager for the County of Ventura CEO/Benefits division, provided an overview and background on the Safe Harbor Plan (the Plan) as a defined benefit (DB) plan and a defined contribution (DC) plan. Most notably, Ms. Dowdy highlighted that previously part-time, extra help, and intermittent classified employees who were under the DB structure of the Plan do not have the option to purchase this employment time back in the form of qualified service credit as it pertains to pension qualifications with Ventura County Employees Retirement Association (VCERA). In

addition, employees who are under the DB plan structure are not able to roll deductions over to the 457 DC plan structure until they have separated from County service.

In addition, Ms. Dowdy poignantly mentioned that in 2008, the California Employees Retirement Law (CERL), a body of law that was enacted to govern retirement benefits for certain public employees, was amended to allow members to participate in both CERL and individual public employer supplemental retirement plan if three conditions are met. While the current CERL (VCERA) plan adheres to two of these conditions, the third – which stipulates that the County obtain a ruling from the IRS that the Safe Harbor Plan falls under the qualifications of section 401(a) – is non-existent.

While the acquisition of this ruling from the IRS is supported by VCERA's board of retirement, there are distinct advantages and disadvantages to this course of action. The advantage highlighted by Ms. Dowdy is that previously ineligible VCERA members who held ineligible positions with the County may now utilize the option to "buy back" that time in a more cost efficient time frame than if they were to wait until separation from County service. Some disadvantages that were mentioned include the cost to have the IRS review the current plan, around \$27,500 to \$32,500, and the added cost to the County to fund the employee's earned Safe Harbor benefits and increase in the VCERA lifetime annuity benefit.

Questions surrounding the funding of the cost to procure the IRS determination letter were raised by the committee. Ms. Emily Gardner, County counsel, inquired as to the source of these funds to which Ms. Dowdy signaled the funds would be drawn from the Supplemental Retirement Plan. Ms. Kaye Mand, County of Ventura Chief Financial Officer, inquired as to whether VCERA has provided the committee with a financial impact statement to the County and raised concern over how this decision will impact the County's contribution rate. Mr. Shawn Atin, Assistant County Executive Officer/Human Resources Director, vocalized the need for a real cost analysis to the County for implementation. The main point of concern revolved around the issue of proceeding with this initiative and the attribute of it allowing employees to essentially "double-dip" into retirement benefits. Upon conclusion of committee discussion, a continuance was motioned to explore the financial impacts to the County.

A. Motion for Continuance to Explore Cost Incursion to the County

Motion made: 1. **Mr. Atin** 2. **Mr. Burgh** **Motion Carries**

Ms. Mand adjourned the meeting at 11:00 a.m.

Respectfully submitted,



Andrew Gratt
Deferred Compensation Personnel Assistant

COUNTY OF VENTURA

MEMORANDUM

HUMAN RESOURCES DIVISION

DATE: August 8, 2023

TO: Supplemental Retirement Plan Committee

FROM: Patty Zoll, Supplemental Retirement Program Manager

SUBJECT: VCERA Fiscal Study regarding Safe Harbor participants

Background

In the SRP committee meeting on April 13, 2023, the Committee was presented with a letter of support from VCERA to the County of Ventura on the issue of pursuing an IRS Plan Qualification Letter for the Safe Harbor Plan.

Patti Dowdy, Employee Benefits Manager, presented the committee with a memo outlining the background of the issues and the pros and cons of pursuing the IRS Plan Qualification Letter.

As a reminder to the Committee, it was recently determined by VCERA legal counsel that VCERA members who previously participated in the Safe Harbor Plan can purchase service credit in VCERA for the time period(s) they were in a position excluded from VCERA membership, provided that they have rolled over their Safe Harbor Plan service to the County's SRP 457 DC Plan. Current active employees who have had previous contributions to Safe Harbor are not eligible to rollover their benefit to the SRP 457 DC Plan until they separate from County service. This now means that active employees with Safe Harbor time can purchase that time with VCERA when they separate from service and elect to convert their Safe Harbor benefit to the SRP 457 DC plan.

A ruling from the IRS that the Safe Harbor Plan qualifies under section 401(a) would provide the final piece needed to meet section 31482.5 of the California Employees Retirement Law (CERL) that allows members to participate in both CERL and a public employer's supplemental retirement plan.

During the committee's discussion on April 13, 2023, it was requested that VCERA provide a fiscal impact study so the committee could review the following:

- The impact on a sampling of Safe Harbor participants – comparing their prior service purchase cost now versus at the time of their retirement.
- The impact to the County of the estimated pension reserves transfer.

The Committee requested a continuance on the issue to request and review the fiscal impact provided by VCERA.

Discussion

The fiscal study provided by VCERA shows the cost of prior service purchase for a sampling of Safe Harbor participants at the current cost and at the time of their retirement. The sample selected represents a variety of active employees with variations in age, Safe Harbor earnings, and time eligible for purchase. A variety of estimated retirement ages was also provided.

VCERA also included the estimated pension reserves transfer increase on the years eligible for purchase.

- Data with the yellow heading is the sample population provided by SRP to VCERA.
- Data with the green heading is provided by VCERA.
- Data with the blue heading is evaluation done by SRP.

For this sample population, a delay in purchasing Safe Harbor service time in the VCERA system, a current purchase versus purchase at the time of retirement, will increase the price anywhere from 137% to 492%.

The amount of the estimated pension reserves transfer increase is not impacted by the timing of the prior service purchase, but more of the transfer increase is offset by gained interest and investment returns when the purchase is made sooner than later.

Here is a recap of the pros and cons of obtaining an IRS determination letter for the Safe Harbor Plan.

PROS

- VCERA members who previously worked in a VCERA ineligible position at the County can purchase additional service credit. The cost to buy excluded service through VCERA is the amount of contributions the employee would have paid to VCERA for the period being purchased plus the interest that would have accrued on these contributions since the prior service period. Employees will pay less interest for purchasing their Safe Harbor service if they complete the purchase before their separation (as demonstrated by the fiscal impact study provided by VCERA).
- Since it has been determined that VCERA members with prior Safe Harbor participation will have the ability to purchase their Safe Harbor time at the conclusion of their employment if they convert their Safe Harbor benefit to the County's SRP 457 DC plan, the obligation of the County to fund the employee's increase in the VCERA lifetime annuity benefit already exists. The relative cost of the pension reserves transfer connected to the purchase of Safe Harbor time could be reduced to the County if the purchases are made well ahead of the employee's retirement date. An earlier purchase of service credit allows more

time for their purchase to earn interest and investment returns, which increases the overall balance of the active member account.

CONS

- The cost of reviewing the plan for compliance with the IRS' most recent Cumulative List by external counsel is estimated to be around \$25,000 to \$30,000. The determination letter process will also require significant staff time. In addition, there is a mandatory IRS filing fee of \$2,700 for a determination letter request. If the Committee decides to request a determination letter for both the defined benefit and deferred compensation components of the SRP, the cost of counsel fees will increase, and an additional IRS filing fee of \$2,700 will be incurred.
- While we believe that the Plan(s) are in compliance, there are potential risks associated with an IRS review of the Plan.

Action

Decide whether to direct staff to obtain a determination letter from the IRS for the Supplemental Retirement DB Plan.

Attachment(s)

- VCERA Fiscal Impact – Safe Harbor participant sample
- P.Dowdy memo – Consideration of IRS Ruling Request
- M.Sedell – VCERA Letter of Support

EE ID	DOB	Contributions	Earnings	Current Age	Estimated Retirement Age	Safe Harbor Enrollment date	Safe Harbor Term Date	PP of first contribution	PP of last contribution	Purchase Time Period	Years Eligible for Purchase	Current Member Cost to Purchase	Estimated Member Cost at Retirement	Estimated Monthly Pension Increase if Purchased	Estimated Pension Reserves Transfer Increase if Purchased	Years until purchase if delayed until term	Cost increase to member if delayed until term	Percentage increase to member if delayed until term	
103893	8/25/1972	\$ 905.74	\$ 30,191.91	50	68	2/12/1995	8/11/1996	*	*	02/12/1995 to 08/10/1996	1.4245	\$ 4,836.55	\$ 11,478.12	\$ 315.00	\$ 30,766.54	18	\$ 6,641.57	137%	
105171	12/17/1977	\$ 687.51	\$ 22,919.83	45	64	5/18/1997	8/22/1999	*	*	05/18/1997 to 08/21/1999	1.4080	\$ 2,754.55	\$ 6,868.04	\$ 194.00	\$ 20,676.45	19	\$ 4,113.49	149%	
106849	9/22/1980	\$ 204.54	\$ 6,818.66	42	61	7/8/2001	1/5/2002	*	*	07/08/2001 to 01/05/2002	0.4200	\$ 527.56	\$ 1,315.42	\$ 67.00	\$ 8,141.86	19	\$ 787.86	149%	
119764	1/25/1983	\$ 381.98	\$ 12,732.20	40	62			8/9/2008	11/15/2008	07/27/2008 to 11/15/2008	0.2704	\$ 953.73	\$ 2,826.66	\$ 63.00	\$ 6,149.88	22	\$ 1,872.93	196%	
126643	2/5/1984	\$ 3,803.70	\$ 126,791.70	39	65			11/19/2016	4/7/2018	11/06/2016 to 04/07/2018	1.2163	\$ 7,496.25	\$ 27,069.84	\$ 254.00	\$ 8,234.59	26	\$ 19,573.59	261%	
124043	7/29/1985	\$ 615.76	\$ 20,528.43	37	55			5/10/2014	1/31/2015	04/27/2014 to 01/31/2015	0.6885	\$ 3,880.89	\$ 9,210.22	\$ 153.00	\$ 24,526.32	18	\$ 5,329.33	137%	
117093	12/2/1987	\$ 1,679.16	\$ 56,383.90	35	58			4/8/2006	8/21/2010	03/26/2006 to 08/21/2010	2.8719	\$ 5,583.89	\$ 16,963.35	\$ 713.00	\$ 113,015.62	23	\$ 11,379.46	204%	
127259	9/12/1989	\$ 2,273.37	\$ 75,779.33	34	62			7/15/2017	7/14/2018	07/02/2017 to 07/14/2018	0.8673	\$ 5,416.35	\$ 22,129.24	\$ 158.00	\$ 845.23	28	\$ 16,712.89	308%	
122105	10/7/1991	\$ 6,007.84	\$ 200,409.44	32	60			2/4/2012	6/15/2019	01/22/2012 to 06/15/2019	4.9733	\$ 20,431.42	\$ 83,475.49	\$ 549.00	\$ 17,737.77	29	\$ 63,044.07	308%	
120960	3/15/1994	\$ 1,061.36	\$ 35,381.11	29	58			6/26/2010	12/31/2016	06/13/2010 to 12/31/2016	1.5960	\$ 2,715.45	\$ 11,371.77	\$ 165.00	\$ 12,819.53	29	\$ 8,656.32	318%	
130709	5/4/1996	\$ 1,301.86	\$ 43,396.73	27	55			12/12/2020	8/21/2021	11/29/2020 to 08/21/2021	0.5673	\$ 4,049.57	\$ 16,141.58	\$ 57.00	\$ -	28	\$ 12,092.01	298%	
128552	6/16/1999	\$ 1,571.72	\$ 52,393.06	24	60			1/26/2019	10/2/2021	01/13/2019 to 10/02/2021	1.8068	\$ 4,231.35	\$ 25,037.95	\$ 194.00	\$ 2,734.39	36	\$ 20,806.60	492%	
* pre VCHRP Conversion																			