



**VENTURA COUNTY
SUPPLEMENTAL RETIREMENT PLAN COMMITTEE**

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

September 19, 2023
1:30 p.m.

- 1. Public Comments**
- 2. Committee Member Comments**
- 3. Minutes of August 8, 2023**
- 4. Review of the June 30, 2023, Actuarial Valuation**
- 5. Investment Policy Statement Update**
- 6. Continued 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 PLAN COMMITTEE
Channel Islands Conference Room or via Zoom**

**Meeting Minutes for August 8, 2023
9:00 a.m.**

Members present

Shawn Atin
Kaye Mand
Emily Gardner
Jeff Burgh
Sue Horgan

Members absent

Also present

Patti Dowdy
Patty Zoll
Andrew Gratt
Amanda Diaz

Ms. Mand called the meeting to order at 9:00 a.m.

1. Public Comments

None.

2. Committee Member Comments

No committee member comments were provided.

3. Minutes of Regular Meeting April 13, 2022

Motion to approve: 1. **Ms. Horgan** 2. **Mr. Atin** **Motion Carries**

4. Consideration of IRS Ruling Request

Ms. Patty Zoll, Deferred Compensation Program Manager for the County of Ventura CEO/Benefits division, provided a brief overview and summation of the actionable item that is currently in front of the Committee for consideration and final decision. The overview highlighted the provocation to obtaining said ruling at the request of Ventura County Employees Retirement Association's (VCERA) legal counsel who determined that previous participants' contributions in the County of Ventura (COV) Safe Harbor Plan (The Plan) are permitted to purchase service credit for time previously employed in a non-qualifying employee class from VCERA so long as the employee has rolled over their Safe Harbor funds into the COV's SRP 457 Defined Contribution (DC) plan. This would impact – namely increase - the employee's total number of service years when calculating pensionable benefits upon retirement. As it stands, employees who were in this non-qualifying class and later were hired on with the County in a qualifying class position are not permitted to convert these funds until they separate from County service. This issue poses significant cost increase to the employee if they chose to purchase prior service.

The previous Committee meeting held on April 13, 2023, raised a bevy of questions that fostered the current discussion and actionable item surrounding the financial impact to the County; namely the provision of a financial impact statement from VCERA, a real cost analysis for implementation, and the repercussion on the County's contribution rate. The fiscal impact information before the Committee today helps to clarify some of the concerns. Cost and benefit analysis were determined by a sample group of employees with range factors to include current age, estimated retirement age, eligible years for purchase, current cost to employee to purchase vs. cost at retirement, and estimated pension reserves transfer increase if purchased.

The information provided by VCERA regarding the fiscal impact of obtaining the IRS determination prompted a more investigative round of discussion from the Committee. Most notably around the estimated pension reserves transfer increase if employees decided to utilize their ability to purchase previously ineligible time with VCERA. Mr. Shawn Atin, Assistant County Executive Officer/Human Resources Director, posed the question that inquired as to what factors weigh into the employer cost and at what point are they calculated. Ms. Zoll replied that the amount of the transfer and the cost to the County does not change in this regard and that if allowed to proceed the employee could be allocated more time to generate earnings from the purchased time. Ms. Emily Gardner, County counsel, along with a majority of the Committee members agreed that this would be advantageous to the employee. Counter to this, it was opined that should fewer individuals take advantage of this opportunity, the cost impact to the County would decrease.

There were essential items mentioned that included both pros and cons to the pursuit of the IRS Ruling allowing employees to purchase this time. Pros to move forward include:

- Paying less interest for purchasing their Safe Harbor service if they complete the purchase prior to their separation from County service.
- The reduction of the relative pension reserve transfer cost to the County associated to the purchase of Safe Harbor time if made well in advance of the employee's retirement date.
- The employee population that falls into this category is fixed and no new employees are being added.

Cons to move forward with obtaining the IRS Ruling include:

- The cost of reviewing The Plan for compliance with the most recent Cumulative List from the IRS by external counsel is projected to be \$25,000.00 to \$30,000.00, in addition to the IRS filing fee of \$2,700.00.
- Significant staff time to facilitate the process of obtaining the IRS Ruling letter.
- Although it is highly agreed upon that The Plan is in compliance, auditing and review procedures from the IRS do carry risk of finding non-compliant issues.
 - Please note: the Committee is in agreement that non-compliant issues, if any, need to be identified and resolved in a timely manner.

Key takeaways from the Committee decision to request more information include providing data on Safe Harbor employees to VCERA in order to finalize the amount of the pension reserve transfer, how the rate would be impacted in order to assume maximum cost to the County, and calculating rates based on predetermined retirement ages of 52 for safety employees and 59 for the general employee population. The Committee has motioned to postpone final decision until additional information based, in part, on these parameters is obtained from VCERA by Deferred Compensation staff and presented before the Committee.

A. Motion to obtain additional information from VCERA prior to Committee decision on acquisition of IRS Ruling request:

Motion made: 1. **Ms. Horgan** 2. **Mr. Burgh** **Motion Carries**

Ms. Mand adjourned the meeting at 9:28 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Andrew Gratt', with a stylized flourish at the end.

Andrew Gratt
Deferred Compensation Personnel Assistant

COUNTY OF VENTURA

MEMORANDUM

HUMAN RESOURCES DIVISION

DATE: September 19, 2023

TO: Supplemental Retirement Plan Committee

FROM: Patty Zoll, Supplemental Retirement Program Manager

SUBJECT: Review of the June 30, 2023, Actuarial Valuation

Background

Attached is the Actuarial Valuation Report as of June 30, 2023, prepared by Cavanaugh Macdonald Consulting, LLC (CMC) for Committee review.

Below is a summary of the Actuarially Determined Contribution (ADC) for the fiscal year ending (FYE) June 30, 2025, compared to the prior year's ADC for Parts B, C and D.

FYE	<u>June 30, 2024</u>	<u>June 30, 2025</u>
Part B (% of DB payroll)	5.26%	5.36%
Part B (% of 457 payroll)	3.66%	4.41%
Part C	\$ -	\$ -
Part D	\$ 33,252	\$ 13,664

The Management Summary included in the valuation provides an overview of the key findings in this year's valuation.

As the Committee is aware, effective April 17, 2021, the defined benefit (DB) plan was changed to the deferred compensation (DC) SRP 457 plan for new and/or rehired employees. Currently, only 17 active employees are contributing to the DB plan. This previously dramatic decrease in the number of employees contributing to the DB plan created a gap between what was being collected from the members and what was needed to fund the Part B obligation. The transition from the DB to the DC SRP 457 plan made more of a material change to the 2022 contribution amount than was anticipated.

To address the reduction and continue to fund the future liability of the DB plan, the 2022 actuarial recommendation was to establish a contribution requirement to the DB plan applied to active employees with coverage under the 457 DC plan. This change in contribution requirement was approved by the Board of Supervisors on December 6, 2023, and went into effective in pay period 23-01. This method has split the cost of amortizing the existing unfunded liability while generating sufficient contributions to maintain a reasonable degree of stability in future costs.

For the 2023 valuation report, it is recommended that the Part B employer contribution amount for the DB payroll remain steady with only a .001% increase from 5.26% to 5.36%. The ADC for the SRP 457 participants is recommended to increase to 4.41%, up from 3.66%.

Due to benefit conversion offers, periodic contact with recently termed members, and tireless efforts on the part of staff to pay benefits to inactive members, the total participant count has decreased in the past year by approximately 47%. Part B experienced an asset loss of \$666,110 as well as a liability gain of \$1,015,805. The liability gain is primarily due to converting DB benefits to the SRP DC 457 plan.

No change is recommended in the assumption rate, it will remain at 7%.

Beginning with the June 30, 2022, valuation, all prior bases were combined into one base amortized over a closed 15-year period. Bases established in the future will be amortized over a closed 15-year period.

The funded ratio for Part C, Early Retirement Benefits is 156.21%. An ADC is not required for the FY 2025 plan year.

The funded ratio for Part D, Elected Department Head Retirement Benefits is 98.82%. The Actuarially Required Contribution (ADC) for FY 2025 is \$13,664.

Mr. John Garrett, Principal and Consulting Actuary with CMC, and Mr. Ryan Gunderson, Senior Actuarial Analyst with CMC, will be in attendance to discuss the results of the valuation, and the GASB Statement No. 67 supplement with the Committee.

Action Items

1. Approve the June 30, 2023, actuarial valuation and GASB 67 reporting prepared by CMC to be included in the Annual Comprehensive Financial Report prepared by the Auditor Controller's office.

If you have any questions, please email me at patty.zoll@ventura.org.

Attachment(s)

COUNTY OF VENTURA

MEMORANDUM

HUMAN RESOURCES DIVISION

DATE: September 19, 2023

TO: Supplemental Retirement Plan Committee

FROM: Patty Zoll, Supplemental Retirement Plan Manager

SUBJECT: Investment Policy Statement Update

Background

During the December 2022 SRP Committee meeting, it was noted that the actuarial assumption rate of return had not been updated in the Investment Policy Statement (IPS). Based on the 2022 actuarial valuation, the investment rate of return should be changed to **7.00%** from the previous rate of 7.75%.

The Committee asked third-party consultant, Jake O'Shaughnessy of SageView, to review the specific Target Allocation Weighting of the Trust and provide a recommended weighting based on the 2022 valuation report.

The following is a summary of the specific Target Allocation Weighting of the Trust recommendations:

Ventura County SRP Target Asset Class weightings

ASSET CLASS	WEIGHTING (%)
Total Cash	1
Core Fixed	35
Int'l Developed Fixed	2
Int'l EM Fixed	2
Total Fixed	39
US Large Cap	31.8
US Mid Ca	7.2
US Small Cap	6
Int'l Developed	12
Int'l EM	3
Total Equity	60

Eric Lee, Principal Sr. Portfolio Strategist, has suggested updating several index names in the Objective Benchmark due to industry changes.

A draft of the proposed updates to the IPS has been provided for Committee review.

Recommended Action

Decide whether or not to approve the updated Investment Policy Statement.

If you have any questions, please email me at patty.zoll@ventura.org.

Attachment

Supplemental Retirement Plan (SRP)

Investment Policy Statement (Effective April 1, 2018)

Purpose

The purpose of the Supplemental Retirement Plan Trust is to fund pension benefits as determined by the Supplemental Retirement Plan. The Plan is designed (1) to provide supplemental retirement benefits to County Employees whose employment with the County does not otherwise entitle them to retirement benefits under the County's 1937 Act Retirement Plan or the Social Security Act; and (2) to provide early retirement benefits to County employees who retire early pursuant to periodic early retirement incentive programs adopted by the County.

Investment Objective

The investment objective of the Supplemental Retirement Plan is to generate a long-term total rate of return, which will fully fund the related pension liabilities and minimize County contributions to the Trust. Trust assets are to be invested to meet or exceed the current actuarial assumption over any ten-year period. Due to the long-term nature of the pension liabilities, the Trust should assume moderate risk only to the extent necessary to achieve its return objective.

Investment Guidelines

The Trust will pursue its investment objectives through investment in a broadly diversified portfolio of assets, which include domestic or foreign fixed income and equity securities. In the interests of achieving optimum diversification and minimizing transaction costs, the investment manager may choose to purchase mutual or commingled funds rather than individual securities. The following asset allocation reflects the long-term strategy appropriate for achieving the stated objectives:

Asset Class	Range of Assets Allocation	Target Allocation
Cash	0 – 25%	1%
Fixed Income	25 – 55%	39%
Equity	45 – 75%	60%

The specific Target Allocation Weighting of the Trust is (as of August 2023)

Ventura County SRP Target Asset Class weightings

ASSET CLASS	WEIGHTING (%)
<u>Total Cash</u>	<u>1</u>
Core Fixed	35
Int'l Developed Fixed	2
<u>Int'l EM Fixed</u>	<u>2</u>
Total Fixed	39
US Large Cap	31.8
US Mid Ca	7.2
US Small Cap	6
Int'l Developed	12
<u>Int'l EM</u>	<u>3</u>
Total Equity	60

Liquidity needs are incidental and cash will be maintained at a minimum level. Trust assets will be invested in accordance with the prudent expert standard as mandated by ERISA. Because the retirement plan is a perpetual contract, the Trust assets will be invested over a perpetual time horizon.

Evaluation and Review

Performance of investment results will be reviewed annually by the Plan Administrator/Committee based on the following criteria:

Return Objective: Meet or exceed the current actuarial assumption over every 10-year period.

Objective Benchmark: Meet or exceed index benchmark composed to reflect target allocations as follows: 31.8% S&P 500 Index; 7.2% S&P Mid Cap 400 Index; 6% Russell 2000 Index; 15% MSCI ACWI xUS Index; 35% ~~Barclays~~ ~~Bloomberg~~ US Aggregate Bond Index; 4% ~~Citi~~ ~~FTSE~~ Non-USD WGBI (50%)/JPM GBI-EM Global Diversified (30%)/JPM EMBI Global Diversified (20%) Composite Index; and 1% ~~Citigroup~~ ~~FTSE~~ 3-month Treasury Bill Index.

Investment Manager Peer Group Comparison: Exceed an appropriate peer group benchmark over 3 and 5-year periods.

COUNTY OF VENTURA

Name

Date

Name

Date

COUNTY OF VENTURA

MEMORANDUM

HUMAN RESOURCES DIVISION

DATE: September 19, 2023

TO: Supplemental Retirement Plan Committee

FROM: Patty Zoll, Supplemental Retirement Program Manager

SUBJECT: Continuation of IRS Ruling Consideration

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.

The Committee met again on August 8, 2023, to review the fiscal impact study provided by VCERA. Although VCERA presented scenarios on a sampling of employees based on data provided by staff, the Committee still felt that they do not have a clear picture of the estimated pension reserves transfer increase, should the majority of the 1,700 employees decide to purchase the prior time in Safe Harbor. The Committee expressed concern with the overall financial impact to the County.

The Committee requested more information from VCERA that includes:

- The total amount of the pension reserve transfer for all eligible Safe Harbor members
- The impact on the retirement rate to the County assuming the majority of eligible Safe Harbor members seek the purchase of the prior service credit based on two assumptions:
 - A retirement age of 52 for Safety members
 - A retirement age of 59 for general employees

The Committee moved to postpone a decision until additional information could be obtained from VCERA.

Discussion

VCERA has discussed the request by the Committee internally and are in the process of reaching out to their actuary, Segal, to see what will be involved in doing an impact study.

In the meantime, VCERA has committed to providing the Committee with the following information:

1. The grand total of the estimated pension reserves transfer for all active employees (current VCERA members) with Safe Harbor time (1,757 employees – participant data to be provided by Safe Harbor)
2. Estimation of the rate increase percentage to the County based on the grand total of the pension reserves transfer for all active employees with Safe Harbor time.

The Committee has been very cautious to act on VCERA's request to obtain an IRS qualification letter and is prudent to consider the larger impact such action would have on the County budget in the future.

A related issue has come to light regarding the original request by VCERA to the Committee. Pursuant to the SRP Plan Document, the Committee is designated as the Plan Administrator. The Committee has all powers necessary to administer the Plan (except for those vested in any other fiduciary to the Plan by the Board of Supervisors). The Committee may establish rules for Plan Administration, and it has the exclusive right to interpret the Plan and to decide any matters arising in connection with Plan administration and operation.

While the Committee has the power to seek an IRS determination on behalf of the Plan, there is a question as to whether the Committee has the power to determine whether a certain group of employees should be eligible for benefits through VCERA or whether that should be a Board of Supervisors decision.

It is the recommendation of staff that the Committee discuss and fully explore their role in the decision to impart additional benefits to a class of employees not previously granted those benefits and the overall fiscal impact to the County budget and future retirement rate.

Recommended Action

Decide whether or not to forward VCERA's request for an IRS qualification letter on the Safe Harbor plan to the Board of Supervisors.