

King County Employees Deferred Compensation Plan

Board Meeting Minutes

October 12, 2022

Board Members: Krista Camenzind, Tom Friedman, Doug Hodson, Nigel Lewis, Pat Sainsbury, Sherry Stroud, and Lusha Zhou

Staff: O.C. Collier

Guest: Jayson Davidson of Hyas and Michelle McKeag (participant)

Participant / Employee Comments

None

August Meeting Minutes

The August meeting minutes were adopted as written.

Options Trading through the Self-Directed Brokerage Account (Discussion Item)

The Board discussed options trading through the SDBA platform. Jayson provided the Board with a comprehensive description of options trading, covered calls, and protective puts. The Board ultimately decided that there is little demand for this feature. The Plan is meant for long-term investing not day trading. The Board may survey participants in the future to see if there is more interest.

Deferred Compensation Financial Plan (Discussion Item)

Krista circulated the financial plan prior to the meeting. The Plan now has its own dedicated fund which makes it easier to track and reconcile the Plan's budget. The financial plan is a tool for the Board to keep track of revenues, expenditures, and reserves. It will also provide us with information for future years to allow the Board to make the proper adjustments as Plan participation, expenses and revenues change over time.

The Board decided to include a rainy-day reserve equal to 60 days operating expenses in the financial plan.

Tom Friedman suggested to create a budget committee to review the financial plan periodically, and the Board agreed. Krista will ask for volunteers sometime in the first quarter of 2023.

Report back from the NAGDCA Conference (Discussion Item)

O.C.'s key takeaway from the NAGDCA conference individual sessions was "How to Successfully Communicate Plan Fees." It was mentioned that Plans should have a "formal fee policy" in place called "Expense Fee and Revenue Sharing Guidelines." The last time our fee guidelines were updated was in 2016. O.C. will work with Jayson to get this document updated to ensure it is consistent with our current fee structure.

Lusha, Sherry, and Tom also attended the "How to Successfully Communicate Plan Fees" session. Lusha and Tom provided survey results for the following question:

How does your plan assess fees currently?

- 40% was an asset-based structure
- 26% was a participant-based structure

- 34% was revenue sharing, hybrid, and other.

Tom also reported that it was recommended that we should communicate to participants the following:

- The cost benefits of staying in the plan particularly as they are nearing retirement.
- Help them understand lower fees now benefit them later.
- Periodic reassessment of your plan's fee structure is a fiduciary best practice.

Sherry reported that it was specifically said that charging fees based on account balances indirectly discriminates against those that have higher dollar accounts. It was discouraged to utilize the asset-based fee structures to insure equity.

Sherry also reported the following:

- October was "Retirement Security Month."
- Auto-enrollment was emphasized to close the disparity gap for future financial wellness.
- Remind participants to review their statements not just their account balances. The market fluctuates so much that just because your account balance changed it doesn't mean it's from the fluctuation, it could be from fraudulent activity.

Lusha's general impressions:

- Government-only sessions and government presentations were very useful to hear what other jurisdictions offer.
- Member can use NAGDCA membership to contact other NACDCA members for experiences and resources.
- Be more specific in T. Rowe Price email messaging about session topics – particularly Roth issues and nuances of when you can take out contributions tax free, IRA rollover, and pension catchup as those seem to be of broad interest.
- Key outreach groups: departments, new employees, and people retiring.

Report of the Chair

Krista reported that even though the Governor's emergency proclamation expires at the end of October 2022, Executive Constantine is continuing his mandate that all county contractors and volunteers (including those serving on boards and commissions), are required to be fully vaccinated.

Report of the Plan Administrator

O.C. will be meeting with Jayson next week to review and possibly update the Expense, Fee, and Revenue Sharing Guidelines.