

Participant Administrative Fee Structure



Item 8 – Deferred Compensation Board

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Division of Trust Finance



Action Needed

- Department of Employee Trust Funds (ETF) requests the Deferred Compensation Board (Board) approve the recommended alternative participant fee structure Option 2 or Option 3 to use in setting fees for 2025 and beyond.
- Based on above Board action, staff will apply the approved rate structure and present recommended fees for 2025 at the December meeting.

Participant Fees used to pay Plan Expenses

Plan Revenues

Tiered
participant fees

Investment
income

Plan Expenses

Administrative
services contract

ETF administrative
expenses

Current Fee Structure

Participant Account Balance	2024 Monthly Fee	2024 Annual Fee
\$0.01 - 5,000	\$0.00	\$0.00
\$5,001 - 25,000	0.75	9.00
\$25,001 - 50,000	1.75	21.00
\$50,001 - 100,000	4.00	48.00
\$100,001 - 150,000	5.00	60.00
\$150,001 - 250,000	7.00	84.00
Over \$250,000	10.25	123.00

- Market volatility causes fluctuations in fees collected due to the tiered structure.
- To achieve board objective of maintaining an administrative account balance between 50% and 75% of projected expenses, fee rates are adjusted.
- Creates challenges in achieving another board objective of reducing volatility in fees.

Membership and Fees by Tier

Participant Account Balance	Participant Counts (as of 6/30/2024)	2024 Annual Fee	Percentage of Total Membership	Percentage of Total Fees Collected
\$0.01 - 5,000	12,943	\$0.00	18%	0%
\$5,001 - 25,000	17,813	9.00	25	6
\$25,001 - 50,000	10,104	21.00	14	8
\$50,001 - 100,000	9,939	48.00	14	18
\$100,001 - 150,000	5,405	60.00	8	12
\$150,001 - 250,000	5,784	84.00	8	18
Over \$250,000	8,131	123.00	12	38
Total	70,119		100%	100%

Threshold to Minimize Fees

Participant Account Balance	Participant Count (as of 6/30/24)	Percentage of Lowest Tier
\$0 - 1,000	5,105	39%
\$1,001 - 2,000	2,502	19
\$2,001 - 3,000	2,018	16
\$3,001 - 4,000	1,747	13
\$4,001 - 5,000	1,571	12
Total	12,943	100%

The Boards “Administrative Expense Account: Investment and Target Balances Policies” states:

Objectives

The target balance policy seeks to balance the following objectives:

- 1) Providing flexibility to:
 - a) maintain WDC services and achieve goals during unanticipated or extended economic downturns resulting in revenue shortfalls;
 - b) fund new initiatives and services; and
 - c) respond to unexpected opportunities.
- 2) Reducing volatility in individual participants' annual administrative fees.
- 3) Encouraging plan participation by assessing minimal administrative fees for individual participants with low account balances. For example: from 2008-present (2023), no administrative fees were assessed on account balances under \$5,001.

Considerations

- Fee structures of peers
- Plan expenses and what causes them to change
- Analysis if a flat fee structure was used, beginning with 2020

Benefits of a flat fee structure:

Alignment with cost drivers

Reduce volatility in fees

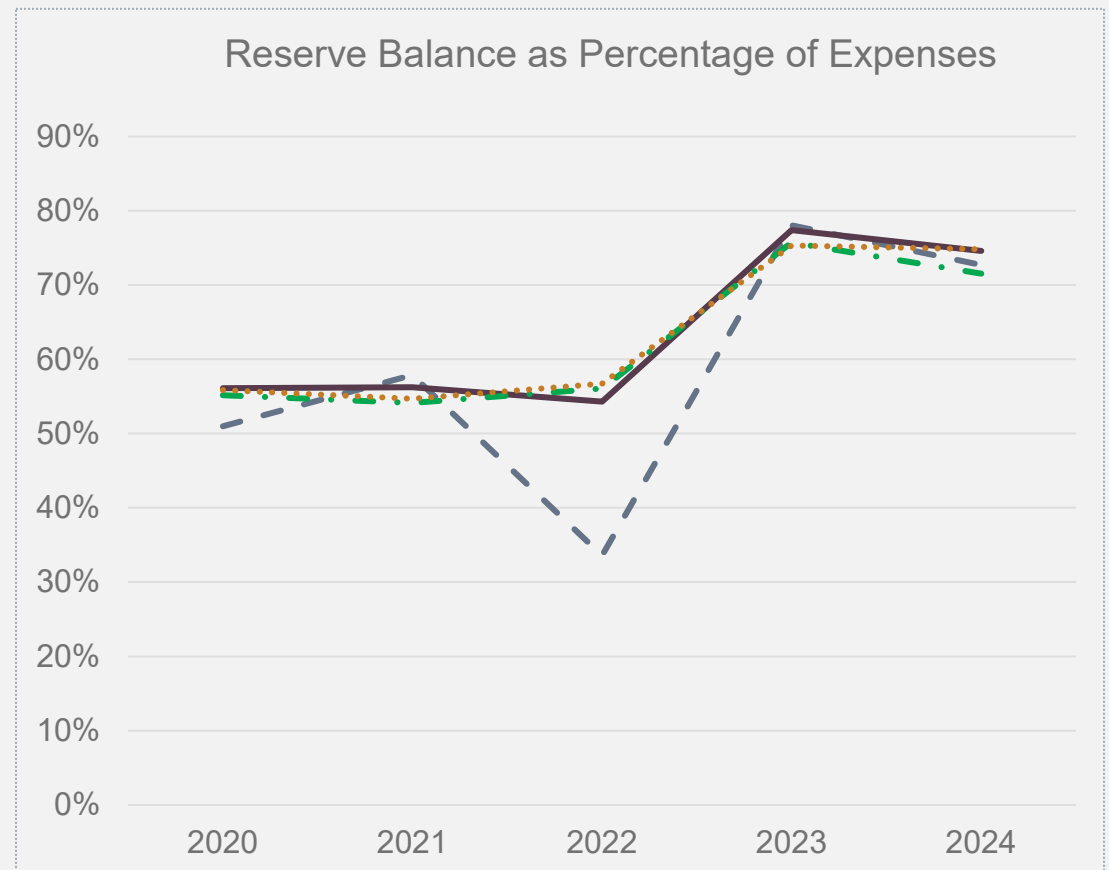
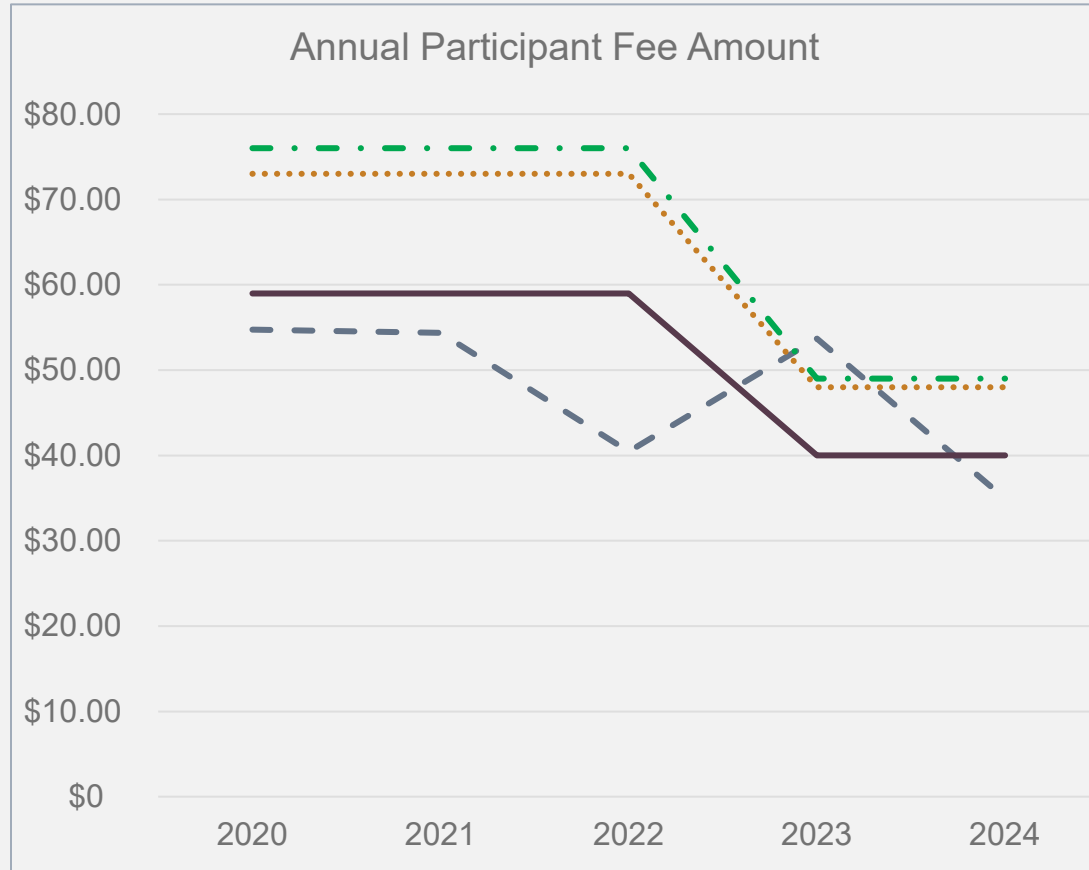
Reduce staff time monitoring and analyzing administrative account balance

Flat Fee Options

1. Flat fee for all accounts;
2. Flat fee for account balances above \$5,000; and
3. Flat fee for account balances above \$5,000, with smaller flat fee for account balances less than or equal to \$5,000.

What-If Analysis

- Average Actual Fee (including accounts <\$5,000)
- Flat Fee All Accounts
- · - Flat fee >\$5,000
- · · Flat fee > \$5,000; smaller flat fee ≤ \$5,000 Fee



*The change in 2023 is due to the contract with the WDC third party administrator to a fixed (and lower) amount.



Projection of Fee Structures

Option 1: Flat Fee for All Accounts

Current Annual Fee Option	Participant Count (as of 6/30/24)	2024 Annual Fee	Fee Targeting High-end \$43.50	High-end Annual Increase (Decrease)	Fee Targeting Low-end \$38.50	Low-end Annual Increase (Decrease)	Projected Reserve Balance	High -end	Low -end
\$0.01 – 5,000	12,943	\$0	\$43.50	\$43.50	\$38.50	\$38.50	As of 12/31/2025	73%	61%
\$5,001 – 25,000	17,813	9.00	43.50	34.50	38.50	29.50	As of 12/31/2026	74%	51%
\$25,001 – 50,000	10,104	21.00	43.50	22.50	38.50	17.50			
\$50,001 – 100,000	9,939	48.00	43.50	(4.50)	38.50	(9.50)	Participant Impact	High -end	Low -end
\$100,001 – 150,000	5,405	60.00	43.50	(16.50)	38.50	(21.50)	Higher Fees	58%	58%
\$150,001 – 250,000	5,784	84.00	43.50	(40.50)	38.50	(45.50)	Lower Fees	42%	42%
Over \$250,000	8,131	123.00	43.50	(79.50)	38.50	(84.50)	No Change to Fees	0	0

Note: The above projections are based on the following assumptions:

- Actual balances of the administrative account and participant investment accounts as of 6/30/2024.
- Activity and balances for the remainder of 2024 are based on the current rate structure and assumed investment earnings of 5.91% annually.
- Fee amounts were selected based on projected expenses, the fee amounts being the same in both 2025 and 2026 and achieving the high-end or low-end of the 50-75% target reserve balance as a percent of expenses by the end of 2026.



Option 2: Flat Fee for Account Balance > \$5,000

Current Annual Fee Option	Participant Count (as of 6/30/24)	2024 Annual Fee	Fee Targeting High-end \$53.50	High-end Annual Increase (Decrease)	Fee Targeting Low-end \$47.00	Low-end Annual Increase (Decrease)	Projected Reserve Balance	High -end	Low -end			
\$0.01 – 5,000	12,943	\$0	\$0	no change	\$0	no change	As of 12/31/2025	73%	61%			
\$5,001 – 25,000	17,813	9.00	53.50	44.50	47.00	\$38.00	As of 12/31/2026	75%	50%			
\$25,001 – 50,000	10,104	21.00	53.50	32.50	47.00	26.00	Participant Impact	High -end	Low -end			
\$50,001 – 100,000	9,939	48.00	53.50	5.50	47.00	(1.00)						
\$100,001 – 150,000	5,405	60.00	53.50	(6.50)	47.00	(13.00)				Higher Fees	54%	40%
\$150,001 – 250,000	5,784	84.00	53.50	(30.50)	47.00	(37.00)				Lower Fees	28%	42%
Over \$250,000	8,131	123.00	53.50	(69.50)	47.00	(76.00)	No Change to Fees	18%	18%			

Note: The above projections are based on the following assumptions:

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Option 3: Flat Fee for Account Balance > \$5,000, Smaller Flat Fee for Account Balance ≤ \$5,000

Current Annual Fee Option	Participant Count (as of 6/30/24)	2024 Annual Fee	Fee Targeting High-end \$12 / \$50.75	High-end Annual Increase (Decrease)	Fee Targeting Low-end \$6 / \$45.50	Low-end Annual Increase (Decrease)	Projected Reserve Balance	High-end	Low-end
\$0.01 – 5,000	12,943	\$0	\$12.00	\$ 12.00	\$6.00	\$6.00	As of 12/31/2025	73%	60%
\$5,001 – 25,000	17,813	9.00	50.75	41.75	45.50	36.50	As of 12/31/2026	75%	50%
\$25,001 – 50,000	10,104	21.00	50.75	29.75	45.50	24.50			
\$50,001 – 100,000	9,939	48.00	50.75	2.75	45.50	(2.50)	Participant Impact	High-end	Low-end
\$100,001 – 150,000	5,405	60.00	50.75	(9.25)	45.50	(14.50)	Higher Fees	72%	58%
\$150,001 – 250,000	5,784	84.00	50.75	(33.25)	45.50	(38.50)	Lower Fees	28%	42%
Over \$250,000	8,131	123.00	50.75	(72.25)	45.50	(77.50)	No Change to Fees	0%	0%

Note: The above projections are based on the following assumptions:

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- Fee amounts were selected based on projected expenses, the fee amounts being the same in both 2025 and 2026 and achieving the high-end or low-end of the 50-75% target reserve balance as a percent of expenses by the end of 2026.





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Questions?

Thank you



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