Clackamas County
Deferred Compensation Committee
Meeting Minutes for March 28, 2022 – Via Zoom

This document is intended to be a meeting summary. For additional details, please review the meeting handouts. Recordings of committee meetings will be provided within one year of the meeting.

Voting Members Present: Elizabeth Comfort, Miranda Dean, Tami Little, Brian Nava, Tyler Simpkins and Bob Vroman

Voting Members Not Present: Kristi Durham, Vince Hall, Evelyn Minor-Lawrence and Robert Russo

Also attending: Shelley Fredrick, Billie Hurley, Sierra Payette, Brent Petty and Wendy Stefani

The meeting began at 3:00 p.m.

Minutes
This meeting did not reach a quorum so minutes from the previous meeting will be moved forward to the next meeting for approval.

Voya Annual Review
2021 was a good year; plan assets were up and so were contributions. Distributions from the plan were also up compared to the previous year by 66%.

Plan assets increased in 2021 by approximately $27 million or 13%. Over the past 5 years plan assets have increase by approximately $84 million.

Participants that have termed County employment and have an account balance hold approximately $104.5 million or 44% of the plan assets. This speaks well of our retention efforts.

Over the course of 2021 the plan added 94 new accounts. The number of participant accounts has grown by 758 since 2016.

Participant deferral rates averaged about 7.9% which is 1% higher than the industry average and .5% higher than the Voya average book of business. Including more participants utilizing the Roth After-Tax option.

1149 participants have logged in and claimed their Voya account by establishing their user credentials with a username and password. These participants on average access their online account information approximately once per month.

Participant assets are well diversified with the majority of participants invested in the Target Date funds.

Sierra reviewed the Get Connected, Stay Connected education, engagement and communications campaign. Various engagement communications have been deployed over the past year to participants based on the engagement calendar along with the start of the monthly education webinars hosted by Wendy.

During the open enrollment period last fall a beneficiary campaign was deployed encouraging participants to add or update their beneficiary designation. This campaign resulted in 11.38% of participants adding a beneficiary designation where none had previously existed. Following the deployment of this communication there was a significant uptick in the number of participants accessing their online account.

In February, the “New Year, New You” and “America Saves” communications were deployed to participants.

The “New Year, New You” communication resulted in a 48.5% unique open rate and the “America Saves” communication resulted in a 48.88% unique open rate which is outstanding compared to the industry benchmark of 21.5%.

4th Quarter Investment Report

Brent announced the annual roll down of the Target Date funds will occur in Q2 2022.

As the plan assets have grown this has allowed the plan to move to less expensive share classes for funds on the investment platform. The most recent share class review resulted in no recommendations for any share class changes.

Two funds currently on watch are Neuberger Berman and American Funds EuroPacific due to underperformance.

American Funds EuroPacific is new on the watch list so no recommendations for it at this time.

Neuberger Berman has been on and off the watch list since new management was introduced and we have patiently waited for them to turn things around. This fund has been on our platform for over a decade and serves as both an ESG (Environmental, Social, and Governance) and a Large Cap Growth option.

Brent will provide more information at the next committee meeting on whether they recommend staying with Neuberger Berman or changing to a different fund.

Participants will likely being seeing negative gains on their next statement due to volatility in the market for both equities and fixed income.

The committee was provided with the Quarterly Market Summary video produced by NWCM prior to this meeting. Please watch and provide any feedback to Brent.

Final rules for ESG investments are expected in Q3 2022 and more to come on Secure 2.0.

Committee Education – Loans and $3k Public Safety Medical Retiree Withdrawal

A member that Robert represents requested the committee review the option of loans being offered by the deferred comp plan.

Shelley, Brent and Wendy provided information about how loans are administered, the pros and cons and whether our other comparator jurisdictions are offering them.

Wendy explained that even though loans are federally authorized it is optional for plan sponsors to provide to participants. Most of our comparator jurisdictions like Multnomah County, City of Portland, Marion County, City of Salem and Washington County are not offering loans in their deferred comp plans.

Shelley explained the repayment options can be payroll deduction or ACH direct from the participant’s bank account. Payroll deduction would require payroll set up at the County.

Loans would also be double taxed due to the repayment being on an after-tax basis and then taxed again upon distribution at termination from the County.

ACH loan repayments would also allow the participant to continue making payments after terming County employment whereas payroll deduction would require the participant to repay the loan in full upon termination from the County otherwise the remaining loan balance would be subject to taxation on their taxes at the end of the year.

Brent explained there tends to be a revolving door effect where participants keep going back to it. Participants may also lose out on market ups and downs and there's the possibility for participants to abuse this option. This account is meant to save for retirement not be a regular savings account.

Billie explained that OPSRP Tier 3 employees will receive a lower salary replacement ratio at retirement so need to save more in their deferred comp account to close this gap. Also, when the topic of loans is discussed at the NAGDCA conference the jurisdictions that offer them always tell the jurisdictions that don't offer them that they would not recommend offering them.

Robert said he wasn't aware that other jurisdictions were not providing the loan option and would not like to see the plan disadvantaged by this.

Wendy quickly provided information that the $3k Public Safety Medical Retiree Withdrawal option allows retirees with a Police and Fire designation to take up to a $3k tax free withdrawal from their deferred comp account to pay for retiree medical premiums on an annual basis. Like loans, this is optional to plan sponsors to offer to participants that qualify.

Funds withdrawn would bypass the participant and go directly to medical premiums which allows them to be tax free to the participant.

Currently, The City of Salem is the only Voya customer in our area that has this option. The other comparator jurisdictions like Multnomah County, City of Portland, and Washington County are not offering it.

If offered, this benefit would only be available to a limited group of retired participants.

This meeting did not reach a quorum so no voting occurred on these topics. Committee members were asked to think about the discussion and bring any questions about these topics to the next meeting.

Other Business/Action Items
None

The meeting adjourned at 4:30 p.m.