



**EAST BAY REGIONAL PARK DISTRICT  
BOARD FINANCE COMMITTEE  
AGENDA STAFF REPORT**

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<b>DATE</b>	February 13, 2025
<b>TITLE</b>	Recommendation to the Board of Directors to Approve a Plan Expense Fee of Two Basis Points of Total Assets for the Park District's Deferred Compensation Plans to Provide an Annual \$20,600 Training, Travel and Outreach Budget for the Deferred Compensation Advisory Committee
<b>DIVISION</b>	Finance and Management Services
<b>FROM</b>	Katie Dignan, Assistant Finance Officer Deborah Spaulding, Assistant General Manager of Finance and Management Services
<b>APPROVED</b>	Sabrina Landreth, General Manager 

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**RECOMMENDATION**

The Deferred Compensation Advisory Committee (DCAC) met on January 16, 2025, and by a vote of 3-1-1 with one abstention and one member absent, passed a motion to make the following recommendation to the Board of Directors, via the Finance Committee:

- Authorize establishing a Plan Expense Fee of two basis points (.02%) for both the 457 and 401(a) Deferred Compensation Plans, to be assessed quarterly, with any unused funds to be returned to plan participants at year-end,
- Approve a Budget for the Deferred Compensation Advisory Committee for 2025 of \$20,600 for training and outreach education,
- Authorize the use of funds from the Plan Expense Account for the 2025 DCAC Budget.

**BACKGROUND**

In order to provide additional retirement savings opportunities for employees, the East Bay Regional Park District (Park District) offers a 457 Deferred Compensation Plan (457) for all permanent employees. In 2024, the Park District transitioned plan administration for its 457 and 401(a) plans to Empower.

The Deferred Compensation Advisory Committee provides recommendations to the Board regarding administration of the Park District's 457 Plan. The five-member committee consists of one representative from each of the following: Human Resources, Finance, AFSCME Local 2428, Police Association and Park District retirees. The representatives from AFSCME Local 2428, Police Association, and Park District retirees each have an alternate member who exercises voting rights in the absence of the primary representative.

In December 2024, DCAC developed a proposed budget for its operations in 2025. The proposed budget includes: \$20,000 for all five committee members and three alternates to attend the National

Association of Government Defined Contribution Administrators (NAGDCA) 2025 Annual Conference in San Diego and \$600 for NAGDCA membership fees.

The DCAC also discussed that in 2026 (after three years with Empower), it would be beneficial for the Park District to engage the services of a consultant to perform a review of the Plan and the Plan Administrator. The cost of this service was approximately \$25,000 when a consultant was engaged in 2022. This would be a decision of the Board of Directors to approve a contract to initiate and receive this review.

For the last two years, the Board of Directors has approved the use of its contingency funds to cover the cost of DCAC members to attend the NAGDCA Conference. In 2023, only one member attended the conference virtually, and the total cost was \$250. In 2024, three members and one alternate attended the conference, with a total cost of \$7,850.

The use of Board Contingency Funds has been considered an interim funding strategy. The Board in 2022 requested the DCAC to ask plan participants via a survey whether the cost of training and other DCAC activities should be borne by plan participants via an additional participant fee. After reviewing the draft survey, some DCAC members preferred to use the survey to ask whether plan participants are aware of DCAC and how the DCAC can better support plan participants. The survey is scheduled to be issued this month.

Previously, when the Deferred Compensation plans were administered by MissionSquare, an Administrative Allowance Account held fees collected in excess of the allowable record keeping fee that could be used for additional services or costs deemed necessary to manage the Plan. On August 23, 2022 (by Reso 2022-08-199) the Board voted against increasing fees and using excess 457 fees for payment of an independent investment review of the plans and for DCAC member training. The Board authorized Park District general funds to pay for a third-party firm to provide investment review and advice to supplement the investment advisory services oversight provided by MissionSquare. The Board also authorized the use of Board Contingency Funds for DCAC members to attend the 2022 NAGDCA Conference in Baltimore, Maryland. The Resolution also directed that no additional funds be deducted from participants, and all excess funds be rebated to plan participants, and that any and all future payments from an Administrative Allowance Account must be authorized by the Board of Directors.

Empower has advised that it is a common practice in other Deferred Compensation Plans to have a Plan Expense Account, which can be funded either by a percentage of assets or a flat dollar fee to participants, that can be used to pay for plan related expenses such as training and outreach.

## **ANALYSIS**

The DCAC meets six times per year (once every two months) and uses a work plan to guide to its activities and recommendations. In 2025, the DCAC work plan includes:

- Issuance of a participant survey
- Annual review of the Investment Policy Statement
- Bi-monthly review of Plan Participation and Investment Report
- Identification and provision of 2025 Empower Trainings for Plan Participants
- Health and Safety Fair Participation

The Deferred Compensation Advisory Committee members believe that receiving training on a regular basis is critical to carrying out the responsibilities of the committee, and the annual NAGDCA conference provides that opportunity. The NAGDCA conference offers plan sponsors

and industry representatives the opportunity to build a national network of contacts, share ideas with peers, and learn innovative techniques for improving retirement outcomes. Committee members believe attendance at the conference is an invaluable resource to make sound recommendations to the Board of Directors. Currently, the Board of Directors is the fiduciary for the deferred compensation plans and has overall responsibility for them.

At the January 16, 2025 DCAC meeting, the committee discussed alternatives for providing an annual budget for the DCAC:

1. Establish a Plan Expense Account at a flat dollar fee of \$20 for all 457 and 401(a) participants that would be assessed quarterly. The number of active plan participants as of Q4 2024 was 1,096 which would generate \$21,920. Any funds not used by December 31<sup>st</sup> of that year would be rebated to plan participants.
2. Establish a Plan Expense Account at 2 basis points (.02%) of assets for all 457 and 401(a) participants that would be assessed quarterly. The asset balance for both plans is about \$154,000,000 which would generate \$30,800. Any funds not used by December 31<sup>st</sup> of that year would be rebated to plan participants.
3. Request use of the Board of Directors' Contingency funds.

#### DCAC Recommendation

The DCAC recommends that a Plan Expense Account be established and funded by a two-basis point fee on all 457 and 401(a) assets, to fund committee member training and outreach efforts. The DCAC proposal to structure plan expenses based on percentage of assets, ensures that fees are proportionately allocated based on the amount of each participant's retirement savings. Any funds remaining in the Plan Expense Account at the end of the year would be rebated to participants on a pro rata basis.

#### Staff Recommendation

Staff recommends the following alternative to the DCAC recommendation:

1. 401(a) assets should not be included in the plan expense account fee, as the DCAC provides recommendations to the Board for the 457 Plan only, and the 401a Plan is closed to new participants and would not benefit from the training and activities that would be undertaken by the DCAC.
2. Based on prior year expenses, the DCAC fee could be reduced to 1 basis point of assets for 457 participants. The participant asset balance for the 457 Plan is about \$142.1 million which would generate \$14,210. This amount would be sufficient to cover costs of sending fewer DCAC members to attend the NAGDCA annual conference on a rotating basis.

In 2026 the DCAC is planning to recommend that the Board commission a third-party review of Plan investments and administration, to be funded with Board Contingency funds.

#### **FISCAL IMPACT**

This action has no direct cost impact to the Park District's annual budget. It would increase the fee on 457 plan investments and potentially 401a plan investments and would be paid for by participants in the Park District's deferred compensation plan(s). As an example, the average balance of the 457 plan participants is approximately \$130,000. Approximately 41% of plan participants have balances below \$25,000 and 16% have balances above \$250,000. A two-basis point fee would result in a fee of \$26 annually for a participant with an average balance. A one-basis point fee would result in a fee of \$13 annually for the average participant. The current Basic Plan Administration Fee charged by Empower is .0185% (1.85 basis points).

## **ATTACHMENTS**

None.