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**To:** [Office State Actuary, WA](#)  
**Subject:** DCP Overview presentation  
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Please add to correspondence for Select Committee on Pension Policy.

I listened the DCP overview presentation in the Select Committee on Pension Policy on July 20, 2021 regular meeting. I believe Seth Miller's presentation is not showing an accurate picture of the Roth option. For whatever reason he may have, he does have significant bias against it. Notice he didn't point out the actual benefits of the Roth and weigh it against the cost. Please remember, I am not really against DRS. For many of its services, it is doing an excellent job. For whatever reason, this Roth option issue is not being studied correctly.

1. The assumption of 12% participation based on only 401(k) participants and not those whom have normal pension, the decision making for public employees might be significantly different due to difference in job security and income stability. So for a state run 457(b), the numbers may be significantly different. He's speculating.
2. The assumption that because about 19% of the current participants contributing more than \$6000 per year in the DCP, only about 19% at most might be incorrect or at least significantly misleading. Recall the earlier part of the presentation about auto-enrollment and how many participants were added. The last I checked, most employees contributing to DCP are making less than \$200,000/year. Auto-enrollment is at 3%. Therefore, those whom auto-enrolled and didn't bother to read anything about the DCP are contributing less than \$6000/year. I suppose his statistics may be different if he used numbers before auto-enrollment was implemented. There's the other issue that many people may chose not to put that much into the DCP because there are no Roth option. Either way, popularity does not make for good planning. Percentage of participation and the dollar amount of participation are totally different. He isn't looking at the potential to grow the entire pie and not just look at popularity. Aside from this, DRS does not know how much people are investing outside of their program such as in a private Roth IRA. Many people whom for example isn't investing anything in the DCP or less than \$6000/year might already be investing in a Roth IRA to the maximum allowed. During a previous executive committee meeting there was a comment that a person whom has both a Roth 401(k) and a Roth IRA was not contributing to the DCP specifically because of the lack of a Roth option in the DCP. By Seth's logic, the person is in the 81% of the people whom are not contributing more than \$6000 therefore will not contribute to a Roth DCP should that be made available. Clearly, that was an incorrect assessment.
3. There was a question about contribution limit. Seth did correctly answer that the contribution limit applies for combined total dollar contributed to both Roth and non-Roth contribution for the year. However, what wasn't mentioned was that by purchasing power, Roth contribution by its nature is worth more unless your tax bracket + healthcare premium bracket + whatever else bracket less than or equal to zero.
4. There was a mention of costs of implementing the Roth being supported by those whom aren't interested nor contributing to the Roth. I didn't need the auto-enrollment yet there was a cost to it. My fees increased because of the servicing cost for all of those small accounts created from it. So how is Roth option increasing cost any different? Aside from this, some day, those people may learn they need to start the Roth during their career. The cost must be put into context of benefit. Seth didn't do that. He's thinking more in terms of running a welfare program than concentrating on making the entire pie bigger to help the state's economy, job market, and tax revenue. Attract the best and retain the best. This isn't an expense but an investment in our own state.

5. There was a mention of complexity of charging different fees to different groups. Charging a temporary fee to do the conversion and contribute to the Roth probably isn't nearly as complicated as what Seth made it sound. This can be done. Just because no other state did it before does not make it a bad idea. In any case, despite 10+ years to think through this, he didn't have clear answers to it. I don't think he looked at the actual benefits of the Roth and dismissed it as a minority problem. So why is 80% of the state offering a Roth option to its employees again? Why didn't Seth mention that? Each state went through their deliberation of the cost benefits and they still chose to adopt the Roth option. Many of them have far lower resource than the State of Washington yet they were able to offer a Roth option to their employees.

The cycle must end. It's time that DRS own this and not keep making excuse for complete lack of progress for 10+ years. I did address every single one of DRS's excuse for not implementing a Roth option. I encourage people to go back and study the true impact from Military service members, Widows, income workers, high income workers, low income worker, high income retiree, low income retiree, early retiree, U.S. Expatriate retiree, etc. by reviewing my previous correspondence and validate or refute any claim. I didn't see any of that so far. Instead, all I hear is excuse after excuse. The expense argument only makes sense in the context of understanding the true impact to the recruitment of employees, current and future employees, current and future retirees, State's economy as a whole, and finally, state's own revenue. When these factors are objectively measured, the expense becomes more like a low risk high return investment into our own future.

I don't think our employees can wait until the Director of DRS and Seth Miller retires before real progress is made in offering the Roth option. Yet, everything stated in the meetings appear we are headed that direction unless legislation acts to corrects it. By not correcting it, we are turning our back to every demographic that I have mentioned whom can benefit from the Roth. We waited way too long. Legislatively mandate offering the Roth option to the DCP.

Thank you

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