



Inter Office Memo

DEPARTMENT OF
HUMAN RESOURCES

ITEM 5

DATE: August 24, 2017

TO: Deferred Compensation Management Council

FROM: Hollis Magill, Human Resources Manager Hollis Magill

SUBJECT: 2016-17 Fiscal Year-End Budget Report & Distribution of Surplus Funds

Background

Pursuant to Section 9.5 of the County of Fresno 457(B) Deferred Compensation Plan Document, any reasonable expenses related to the operation of the Deferred Compensation Plan (Plan), such as third-party administration, consulting, legal and County staff costs, shall be charged to Plan participants. In order to offset the costs of these Plan-related expenses, the County directs the Plan Record-keeper to charge an administrative fee to each participant. For Fiscal Year 2016-17, that fee was 0.19%.

Year-End Budget Report

Staff has prepared a 2016-17 Fiscal Year-End budget report for the twelve-month period that ended June 30, 2017 (Attachment A); the approved FY 2016-17 budget is detailed in Attachment B. Staff would like to note and explain the revenue and expense discrepancies:

1. **Total revenues were higher than what was projected.** Plan revenues were higher than what was projected due to higher than expected Plan assets; staff based FY 2016-17 revenues on approximately \$195 million in Plan Assets, whereas total assets were in excess of \$227 million as of June 30, 2017.
2. **Expenses were less than what was budgeted.** Staff costs were less than what was budgeted, due primarily to fewer hours spent by staff working on the Plan than what was projected. Plan Document Review Legal Fees were less than projected, as the County was able to procure outside counsel for a lower cost than expected. In addition, the contingency budget has not been needed.
3. **Record-keeping fees were higher than projected.** Record-keeping fees were higher than projected due to higher than expected Plan assets; staff based FY 2016-17 record-keeping fees on approximately \$195 million in Plan Assets, whereas total assets were in excess of \$227 million as of June 30, 2017.

Distribution of Surplus Funds

As your Council is aware, in previous fiscal years where Plan revenues exceeded Plan expenses, your Council has approved a pro rata distribution of funds to participants based on

each participant's percentage of Plan assets. As stated on Attachment A, there was a surplus of approximately \$73,729 in fiscal year 2016-17.

Therefore, staff is recommending that your Council approve a pro rata distribution of these surplus funds to current participants who had a Plan account balance as of June 30, 2017. Each participant's share of the distribution will be based on their June 30, 2017 Plan account balance. As of June 30, 2017, the Plan Expense Account balance was \$143,637.11.

Recommended Action

Approve a pro rata distribution of \$73,729 to current Deferred Compensation Plan participants based on each participant's percentage of Deferred Compensation Plan assets as of June 30, 2017.

Item 5 - Attachment A

County of Fresno Deferred Compensation Plan

Fiscal Year 2016-17 Revenue & Expenses as of June 30, 2017

Revenue	Approved	Year to Date
Administrative Fees	\$ 175,000	\$ 189,842
Excess FY 2013-14 Funds	\$ 25,000	\$ 25,000
Totals:	\$ 200,000	\$ 214,842

Discretionary Expenses	Approved	Year to Date
Staff Costs	\$ 102,000	\$ 79,598
Consultant Fees	\$ 40,000	\$ 40,000
Plan Document Review Legal Fees	\$ 20,000	\$ 6,000
Fiduciary Liability Insurance Policy	\$ 11,000	\$ 10,134
NAGDCA	\$ 7,000	\$ 5,381
Contingencies	\$ 20,000	\$ -
Totals:	\$ 200,000	\$ 141,113

Surplus (Deficit):	\$ 73,729
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Mandatory Expenses	Approved	Year to Date
Record-keeping Fees	\$ 200,000	\$ 214,828

ITEM 5 - ATTACHMENT B

Approved FY 2016-17 Deferred Compensation Plan Budget

Revenue Source	Description	Dollars	% of Revenue
Administrative Fee	0.09% of Plan Assets, based on average of ~\$195,000,000 in assets.	\$175,000	87.5%
Excess Funds from Fiscal Year 2013-14	Excess funds from Fiscal Year 2013-14 to be used in FY 2016-17	\$25,000	12.5%
Total Revenue:		\$200,000	100.0%

Discretionary Expense	Description	Dollars	% of Expenses
Consultant Fees	Pursuant to Agreement # 15-597 with Heintzberger-Payne Advisors, \$40,000 annually.	\$40,000	20.0%
Fiduciary Liability Insurance Premium	Fiduciary Liability Insurance Premium on \$5,000,000 in coverage.	\$11,000	5.5%
Staff Costs	Based on approximately 1,100 County staff hours (includes Personnel and County Counsel staff). Also includes participant communication costs, if necessary	\$102,000	51.0%
Off-Site Training Costs	Send two (2) people to the 2016 NAGDCA conference and pay annual membership fee.	\$7,000	3.5%
Plan Document Legal Review	Cost to have an outside legal firm review the Deferred Compensation Plan Document	\$20,000	10.0%
Contingencies	Any appropriate expense not included in the items in the proposed budget.	\$20,000	10.0%
Total Discretionary Expenses:		\$200,000	100.0%

Mandatory Expense	Description	Dollars
Record-keeping Fees	Pursuant to Agreement # 14-710 with Nationwide, 0.10% of Total Assets per year.	\$200,000
Total Mandatory Expenses:		\$200,000

Total Expenses: \$400,000