



Inter Office Memo

DEPARTMENT OF
HUMAN RESOURCES

ITEM 6

DATE: October 11, 2018

TO: Deferred Compensation Management Council

FROM: Hollis Magill, Human Resources Manager

SUBJECT: 2017-18 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 2017-18, that fee was 0.19%.

Year-End Budget Report

Staff has prepared a 2017-18 Fiscal Year-End budget report for the twelve-month period that ended June 30, 2018 (Attachment A); the approved FY 2017-18 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 2017-18 revenues on approximately \$220 million in Plan assets, whereas actual Plan assets were in excess of \$253 million as of June 30, 2018.
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 2017-18 revenues on approximately \$220 million in Plan assets, whereas actual Plan assets were in excess of \$253 million as of June 30, 2018.

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 \$115,614 in fiscal year 2017-18.

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, 2018. Each participant's share of the distribution will be based on their June 30, 2018 Plan account balance. As of June 30, 2018, the Plan Expense Account balance was \$185,522.

Recommended Action

Approve a pro rata distribution of \$115,614 to current Deferred Compensation Plan participants based on each participant's percentage of Deferred Compensation Plan assets as of June 30, 2018.

Item 6 - Attachment A

County of Fresno Deferred Compensation Plan

Fiscal Year 2017-18 Revenue & Expenses as of June 30, 2018

Revenue	Approved	Year to Date	Surplus (Deficit)
Administrative Fees	\$ 192,000	\$ 253,581	\$ 61,581
Totals:	\$ 192,000	\$ 253,581	\$ 61,581

Discretionary Expenses	Approved	Year to Date	Surplus (Deficit)
Consultant Fees	\$ 40,000	\$ 40,000	\$ -
Fiduciary Liability Insurance Policy	\$ 11,000	\$ 10,134	\$ 866
NAGDCA	\$ 7,000	\$ 6,750	\$ 250
Plan Document Review Legal Fees	\$ 12,000	\$ 6,500	\$ 5,500
Staff Costs	\$ 102,000	\$ 74,584	\$ 27,416
Contingencies	\$ 20,000	\$ -	\$ 20,000
Totals:	\$ 192,000	\$ 137,968	\$ 54,032

Surplus (Deficit):	\$ 115,614
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Mandatory Expenses	Approved	Year to Date	Surplus (Deficit)
Record-keeping Fees	\$ 230,000	\$ 243,916	\$ (13,916)

Item 6 - Attachment B: Approved 2017-18 Fiscal Year Deferred Compensation Plan Budget

Discretionary Items

Revenue Source	Description	Dollars	% of Revenue
Administrative Fee	0.09% of Plan Assets, based on approximately \$220 million in assets.	\$192,000	100%
Total Revenue:		\$192,000	100%
Expense	Description	Dollars	% of Expenses
County Staff	Human Resources and County Counsel staff time and participant communications.	\$102,000	53.1%
Consultant	Pursuant to Agreement # 15-597 with Northwest Capital Management.	\$40,000	20.8%
Outside Counsel	Cost of outside legal firm to review Deferred Compensation Plan governing documents.	\$12,000	6.3%
Fiduciary Liability Insurance	Premium on \$5 million in Fiduciary Liability Insurance coverage.	\$11,000	5.7%
Off-Site Training	Send two (2) people to the 2017 NAGDCA conference and pay annual membership fee.	\$7,000	3.6%
Contingencies	Any appropriate expense not included in the items in the proposed budget.	\$20,000	10.4%
Total Discretionary Expenses:		\$192,000	100%

Mandatory Items

Revenue Source	Description	Dollars
Nationwide Fee	0.10% of Plan Assets, based on approximately \$220 million in assets. Fees are debited directly from participants' accounts on a monthly basis.	\$230,000
Expense	Description	Dollars
Record-keeping	Pursuant to Agreement # 14-710 with Nationwide, 0.10% of Total Assets per year.	\$230,000