



Inter Office Memo

DEPARTMENT OF
HUMAN RESOURCES

ITEM 5

DATE: September 26, 2019

TO: Deferred Compensation Management Council

FROM: Hollis Magill, Human Resources Manager Hollis Magill

SUBJECT: 2018-19 Fiscal Year-End Budget Report & Distribution of Surplus Funds

BACKGROUND

Pursuant to Section 8.02 of the County of Fresno 457(B) Deferred Compensation Plan Document, your Council shall determine the reasonable Deferred Compensation Plan (Plan) expenses, such as third-party administration, consulting, legal and County staff costs. In addition, your Council shall determine the administrative fee charged to Participants to pay for such reasonable Plan expenses, on an annual basis. For Fiscal Year 2018-19, that fee was 0.19%.

ISSUE

Staff has prepared a 2018-19 Fiscal Year-End budget report for the twelve-month period that ended June 30, 2019 (Attachment A); the approved FY 2018-19 budget is detailed in Attachment B. As stated on Attachment A, there was a surplus of approximately \$94,951 in FY 2018-19. Staff would like to note and explain the causes of this surplus:

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 2018-19 revenues on approximately \$240 million in Plan assets, whereas actual Plan assets were in excess of \$268 million as of June 30, 2019.
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. In addition, the contingency budget has not been needed, although the approved FY 2018-19 budget allocated an additional \$15,000 to this line item in anticipation of one-time fees related to the current Plan Record-keeper RFP process.
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 2018-19 revenues on approximately \$240 million in Plan assets, whereas actual Plan assets were in excess of \$268 million as of June 30, 2019.

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 \$94,951 in fiscal year 2018-19. Pursuant to the FY 2019-20 budget approved by your Council on May 23, 2019, \$15,000 of that surplus is allocated to the 2019-20 FY budget to pay for consulting fees related to the current Plan Record-keeper RFP process.

Therefore, staff is recommending that your Council approve a pro rata distribution of \$79,951 of these surplus funds to current participants who had a Plan account balance as of June 30, 2019. Each participant's share of the distribution will be based on their June 30, 2019 Plan account balance. As of June 30, 2019, the Plan Expense Account balance was \$164,858.

RECOMMENDED ACTION

Approve a pro rata distribution of \$79,951 to current Deferred Compensation Plan participants based on each participant's percentage of Deferred Compensation Plan assets as of June 30, 2019.

Item 5 - Attachment A

County of Fresno Deferred Compensation Plan

Fiscal Year 2018-19 Revenue & Expenses as of June 30, 2019

Revenue	Approved	Year to Date	Surplus (Deficit)
Administrative Fees	\$ 202,000	\$ 232,195	\$ 30,195
Totals:	\$ 202,000	\$ 232,195	\$ 30,195

Discretionary Expenses	Approved	Year to Date	Surplus (Deficit)
County Staff	\$ 107,000	\$ 82,313	\$ 24,687
Consultant	\$ 40,000	\$ 40,000	\$ -
Fiduciary Liability Insurance	\$ 11,000	\$ 10,134	\$ 866
Off-Site Training	\$ 9,000	\$ 4,798	\$ 4,202
Contingencies	\$ 35,000	\$ -	\$ 35,000
Totals:	\$ 202,000	\$ 137,244	\$ 64,756

Surplus (Deficit):	\$ 94,951
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Mandatory Expenses	Approved	Year to Date	Surplus (Deficit)
Record-keeping Fees	\$ 240,000	\$ 254,608	\$ (14,608)

Item 5 - Attachment B

Approved FY 2018-19 Deferred Compensation Plan Budget

Discretionary Items

Revenue Source	2018-19 Budget	% of Revenue	2017-18 Budget	\$ Change from 2017-18	% Change from 2017-18
Administrative Fee	\$202,000	100%	\$192,000	\$10,000	5%
Total Revenue:	\$202,000	100%	\$192,000	\$10,000	5%
Expense	2018-19 Budget	% of Expenses	2017-18 Budget	\$ Change from 2017-18	% Change from 2017-18
County Staff	\$107,000	53%	\$102,000	\$5,000	5%
Consultant	\$40,000	20%	\$40,000	\$0	0%
Fiduciary Liability Insurance	\$11,000	5%	\$11,000	\$0	0%
Off-Site Training	\$9,000	4%	\$7,000	\$2,000	29%
Contingencies	\$35,000	17%	\$20,000	\$15,000	75%
Total Expenses:	\$202,000	100%	\$192,000	\$10,000	5%

Mandatory Items

Revenue Source	2018-19 Budget	2017-18 Budget	\$ Change from 2017-18	% Change from 2017-18
Nationwide Fee	\$240,000	\$230,000	\$10,000	4%
Expense	2018-19 Budget	2017-18 Budget	\$ Change from 2017-18	% Change from 2017-18
Record-keeping	\$240,000	\$230,000	\$10,000	4%