



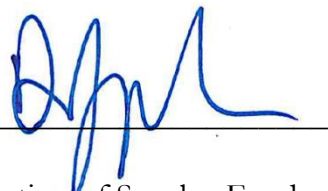
Inter Office Memo

DEPARTMENT OF
HUMAN RESOURCES

ITEM 7

DATE: September 23, 2021

TO: Deferred Compensation Management Council

FROM: David Joseph, Senior Human Resources Analyst 

SUBJECT: 2020-21 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. On June 24, 2020, your Council approved a Fiscal Year 2020-21 budget for Plan expenses and set an administrative fee of 0.19%.

ISSUE

Staff has prepared a 2020-21 Fiscal Year-End budget report for the twelve-month period that ended June 30, 2021 (Exhibit A); the approved FY 2020-21 budget is detailed in Exhibit B. As stated on Exhibit A, there was a surplus of approximately \$99,748 in FY 2020-21. Staff would like to highlight the following:

1. **The Fiduciary Liability Insurance Premium was higher than anticipated.** Due to the rise in retirement plan litigation, the premium for fiduciary liability insurance increased to \$11,682 vs. the budgeted amount of \$11,000. Therefore, pursuant to Section 4.a of the Deferred Compensation Plan Budget Policy, the difference of \$682 was transferred from the Contingency line-item to the Fiduciary Liability Insurance Premium line-item.
2. **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 2020-21 revenues on approximately \$250 million in Plan assets, whereas actual Plan assets were in excess of \$350 million as of June 30, 2021.
3. **Expenses were less than what was budgeted.**
 - a. **Staff Costs.** 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, anticipated outside legal costs were lower than expected.

- b. **Contingency.** Only \$682 needed to be transferred from the Contingency line-item in FY 2020-21, leaving a surplus of \$32,318.
4. **Record-keeping fees were higher than projected.** Record-keeping fees were higher than projected due to higher than expected Plan assets; staff based FY 2020-21 fees on approximately \$250 million in Plan assets, whereas actual Plan assets were in excess of \$350 million as of June 30, 2021.

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 Exhibit A, there was a surplus of approximately \$99,748 in fiscal year 2020-21.

Therefore, staff is recommending that your Council approve a pro rata distribution of \$99,748 to current participants who had a Plan account balance as of June 30, 2021. Each participant's share of the distribution will be based on their June 30, 2021 Plan account balance. As of August 31, 2021, the Plan Expense Account balance was \$245,648.

RECOMMENDED ACTION

Approve a pro rata distribution of \$99,748 to current Deferred Compensation Plan participants based on each participant's percentage of Deferred Compensation Plan assets as of June 30, 2021.

County of Fresno Deferred Compensation Plan

Fiscal Year 2020-21 Revenue & Expenses as of June 30, 2021

Revenue	Approved	Transfers In/Out	Year to Date	Surplus (Deficit)
Administrative Fees	\$ 225,000	\$ -	\$ 257,673	\$ 32,673
Totals:	\$ 225,000	\$ -	\$ 257,673	\$ 32,673

Discretionary Expenses	Approved	Transfers In/Out	Year to Date	Surplus (Deficit)
County Staff	\$ 139,000	\$ -	\$ 106,243	\$ 32,757
Consultant	\$ 40,000	\$ -	\$ 40,000	\$ -
Fiduciary Liability Insurance	\$ 11,000	\$ 682	\$ 11,682	\$ -
Off-Site Training	\$ 2,000	\$ -	\$ -	\$ 2,000
Contingencies	\$ 33,000	\$ (682)	\$ -	\$ 32,318
Totals:	\$ 225,000	\$ -	\$ 157,925	\$ 67,075



Total Surplus (Deficit):	\$ 99,748
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Mandatory Expenses	Approved	Year to Date	Surplus (Deficit)
Record-keeping Fees	\$ 277,000	\$ 314,958	\$ (37,958)

Item 7 - Exhibit B

Discretionary Items

Revenue Source	2020-21 Budget	% of Revenue	2019-20 Budget	\$ Change from 2019-20	% Change from 2019-20
Administrative Fee	\$225,000	100%	\$230,000	-\$5,000	-2%
FY 2019-20 Carryover	\$0	0%	\$15,000	-\$15,000	-100%
Total Revenue:	\$225,000	100%	\$245,000	-\$20,000	-8%
Expense	2020-21 Budget	% of Expenses	2019-20 Budget	\$ Change from 2019-20	% Change from 2019-20
County Staff	\$139,000	62%	\$121,000	\$18,000	15%
Consultant	\$40,000	18%	\$70,000	-\$30,000	-43%
Fiduciary Liability Insurance	\$11,000	5%	\$11,000	\$0	0%
Off-Site Training	\$2,000	1%	\$10,000	-\$8,000	-80%
Retiree Outreach	\$0	0%	\$8,000	-\$8,000	-100%
Contingencies	\$33,000	15%	\$25,000	\$8,000	32%
Total Expenses:	\$225,000	100%	\$245,000	-\$20,000	-8%

Mandatory Items

Revenue Source	2020-21 Budget	2019-20 Budget	\$ Change from 2019-20	% Change from 2019-20
Nationwide Fee	\$277,000	\$260,000	\$17,000	7%
Expense	2020-21 Budget	2019-20 Budget	\$ Change from 2019-20	% Change from 2019-20
Record-keeping	\$277,000	\$260,000	\$17,000	7%