



Inter Office Memo

DEPARTMENT OF
PERSONNEL SERVICES

ITEM 9

DATE: February 25, 2016

TO: Deferred Compensation Management Council

FROM: Hollis Magill, Principal Personnel Analyst Hollis Magill

SUBJECT: Fiscal Year 2015-16 Deferred Compensation Plan Budget Reports and Revisions to Fiscal Year 2014-15 Budget Report

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, such as third-party administration, consulting, legal and County staff costs, shall be charged to Plan participants. The County currently charges the Plan for the cost of the third-party administrator (Nationwide) and for consulting services (Heintzberger-Payne), as well as time spent by County staff (including Personnel Services and County Counsel staff) in support of Plan activities and for outside legal counsel to review Plan-related documents.

Staff has prepared a Fiscal Year 2015-16 budget report for the six-month period that ended December 31, 2015 (Attachment B); the approved FY 2015-16 budget is detailed in Attachment A.

In addition, staff has reviewed the FY 2015-16 1st quarter report as well as the FY 2014-15 year-end report, and has made revisions to both reports. Attachment C includes the revised FY 2014-15 year-end report, while Attachment D includes the original FY 2014-15 report. Attachment E includes the revised FY 2015-16 1st quarter report, while Attachment F includes the original FY 2015-16 1st quarter report.

Issue

Staff would like to note and explain the following:

Record-keeping fees have been separated from other expenses. Under the previous record-keeper, the entire participant fee was credited to the Plan Expense Account on a quarterly basis, from which the record-keeping fee was deducted. Both transactions were processed within the same quarter.

Currently, participants pay a monthly, prorated fee of 0.19%. From the fee, Nationwide deducts their required revenue of 0.10%, leaving 0.09% credited to the Plan Expense Account. This effectively separates the record-keeping expenses from all other expenses, which are debited from the Plan Expense Account. Therefore, in reporting revenue and expenses, staff has separated record-keeping fees from expenses that are debited directly from the Plan Expense Account. This change will more clearly illustrate the revenues and expenses related to

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Fiscal Year 2015-16 Deferred Compensation Plan Budget Reports and Revisions to Fiscal Year 2014-15 Budget Report

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the Plan Expense Account. The budget items covered by the 0.09% are described as “Discretionary Expenses”, while the record-keeping fees are described as “Mandatory Expenses” in Attachment A.

In addition, staff has separated record-keeping fees from all other expenses in the proposed FY 2016-17 budget, which is discussed in greater detail in Item 10 of today’s agenda.

Revisions to prior budget reports. Staff has updated the revenue numbers in both the FY 2014-15 year-end report and the FY 2015-16 1st quarter report. Regarding the FY 2014-15 year-end report, staff has revised the Year to Date amount in the Administrative Fees category. The original number of \$514,207 reflected the total fees collected by both Great-West and Nationwide within FY 2014-15. The new revenue figure is \$319,685. Of this amount, \$103,468 is accounted for by separating record-keeping fees from revenue and expenses. As mentioned previously in this Item, staff believes that separating the record-keeping fees (“Mandatory Expenses”) from other expenses (“Discretionary Expenses”) better illustrates the transaction activity which staff oversees within the Plan Expense Account.

The additional \$91,054 is accounted for by removing revenue which was collected from March through June of 2015, as this revenue was credited to the Plan Expense Account in the 1st and 2nd quarters of FY 2015-16 (\$68,088 in the 1st quarter and \$22,966 in the 2nd quarter). Staff feels that it is more transparent to show the amount of revenue that is credited to the Plan Expense Account, rather than what is collected within a quarter. Attachment D reflects these revisions.

Your Council will note that 3rd quarter revenue of \$43,465 should have been credited to the Plan Expense Account within the 4th quarter, but Nationwide was unable to credit this revenue until August 21 of 2015.

Regarding the FY 2015-16 1st quarter report, as with the FY 2014-15 report, staff has revised the revenue amount to reflect what was credited to the Plan Expense Account within the quarter, since the total fees collected within the quarter included Nationwide’s record-keeping fees, which are now separated.

ITEM 9 - ATTACHMENT A

Approved FY 2015-16 Deferred Compensation Plan Budget, with Record-keeping Fees Separated

Revenue Source	Description	Dollars	% of Revenue
Administrative Fee	0.09% of Plan Assets, based on average of ~\$219,000,000 in assets.	\$195,000	100.0%

Total Revenue: \$195,000 100.0%

Discretionary Expense	Description	Dollars	% of Expenses
Consultant Fees	Pursuant to Agreement # 11-731 with Heintzberger-Payne Advisors, \$50,000 annually.	\$50,000	25.6%
Fiduciary Liability Insurance Premium	Fiduciary Liability Insurance Premium on \$5,000,000 in coverage.	\$12,000	6.2%
Staff Costs	Based on approximately 1,100 County staff hours (includes Personnel and County Counsel staff). Also includes participant communication costs, if necessary	\$106,000	54.4%
NAGDCA Costs	Send two (2) people to the 2015 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	10.3%

Total Discretionary Expenses: \$195,000 100.0%

Mandatory Expense	Description	Dollars
Record-keeping Fees	Pursuant to Agreement # 14-710 with Nationwide, 0.10% of Total Assets per year.	\$220,000

Total Mandatory Expenses: \$220,000

Total Expenses: \$415,000

ITEM 9 - ATTACHMENT B



County of Fresno Deferred Compensation Plan
2015-16 Fiscal Year to Date Budget Report

Revenue and Expenses as of December 31, 2015

<u>Revenue</u>	Year to Date	Projected	YTD vs. Projected
Administrative Fees	\$122,135	\$195,000	(\$72,865)

Totals: \$122,135 \$195,000 (\$72,865)

<u>Discretionary Expenses</u>	Year to Date	Budgeted	YTD vs. Budgeted
Consultant Fees	(\$25,000)	\$50,000	\$25,000
Fiduciary Liability Insurance Policy	\$0	\$12,000	\$12,000
Staff Costs	(\$36,364)	\$106,000	\$69,636
NAGDCA	(\$5,703)	\$7,000	\$1,297

Totals: (\$67,066) \$175,000 \$107,934

	Transfers	Budgeted	Remaining Budget
Contingencies	\$0	\$20,000	\$20,000

<u>Mandatory Expenses</u>	Year to Date	Projected	YTD vs. Projected
Record-keeping Fees	(\$102,986)	\$220,000	\$117,014

	YTD Expenses	YTD Revenue	Expenses vs. Revenue
Grand Totals:	(\$67,066)	\$122,135	\$55,068

ITEM 9 - ATTACHMENT C

County of Fresno Deferred Compensation Plan

REVISED Year to Date vs. Budgeted Revenues & Expenses as of June 30, 2015

<u>Revenues</u>	Year to Date	Projected	YTD vs. Projected
Administrative Fees ¹	\$319,685	\$460,000	(\$140,315)
Great-West Reimbursement	\$58,333	\$70,000	(\$11,667)
Totals:	\$378,019	\$530,000	(\$151,981)

<u>Expenses</u>	Year to Date	Original Budget ²	Modified Budget	YTD vs. Modified Budget
Consulting	(\$50,000)	\$50,000	\$50,000	\$0
Record-keeper RFP ³	(\$27,000)	\$0	\$27,000	\$0
Great-West Record-keeping Fees	(\$203,585)	\$300,000	\$300,000	\$96,415
Fiduciary Liability Insurance Policy ⁴	(\$19,883)	\$11,000	\$19,883	\$0
Staff ³	(\$69,101)	\$56,500	\$81,500	\$12,399
Legal	(\$4,859)	\$25,000	\$25,000	\$20,141
NAGDCA	(\$5,672)	\$5,500	\$5,500	(\$172)
Lunch & Learn	\$0	\$8,000	\$8,000	\$8,000
Totals:	(\$380,100)	\$456,000	\$516,883	\$136,783

	Transfers	Budgeted	Remaining Budget
Contingencies	(\$60,883)	\$74,000	\$13,117

<u>Other Expenses</u>	YTD	Budgeted	YTD vs. Budget
Nationwide Record-keeping Fees	(\$103,468)	n/a	n/a

	YTD Expenses	YTD Revenue	Expenses vs. Revenue
Grand Totals⁵:	(\$380,100)	\$378,019	(\$2,081)

¹ The year to date amount includes revenue (\$43,465) that would have been credited to the Plan Expense Account within the quarter, but for technical difficulties experienced by Nationwide.

² The FY 2014-15 Budget was approved by the Deferred Compensation Management Council on February 27, 2014.

³ Original budget amended on March 16, 2015 by the Deferred Compensation Management Council.

⁴ Original budget amended on August 27, 2015 by the Deferred Compensation Management Council.

⁵ The year to date amounts do not include expenses or revenue associated with Nationwide's record-keeping fees.

ITEM 9 - ATTACHMENT D

County of Fresno Deferred Compensation Plan

ORIGINAL Year to Date vs. Budgeted Revenues & Expenses as of June 30, 2015

<u>Revenues</u>	Year to Date	Projected	YTD vs. Projected
Administrative Fees	\$514,207	\$460,000	\$54,207
Great-West Reimbursement	\$58,333	\$70,000	(\$11,667)
Totals:	\$572,540	\$530,000	\$42,540

<u>Expenses</u>	Year to Date	Original Budget ¹	Modified Budget	YTD vs. Modified Budget
Consulting	(\$50,000)	\$50,000	\$50,000	\$0
Record-keeper RFP (Consulting) ²	(\$27,000)	\$0	\$27,000	\$0
Record-keeping	(\$307,053)	\$300,000	\$300,000	(\$7,053)
Fiduciary Liability Insurance Policy ³	(\$19,883)	\$11,000	\$19,883	\$0
Staff ²	(\$69,101)	\$56,500	\$81,500	\$12,399
Legal	(\$4,859)	\$25,000	\$25,000	\$20,141
NAGDCA	(\$5,672)	\$5,500	\$5,500	(\$172)
Lunch & Learn	\$0	\$8,000	\$8,000	\$8,000
Totals:	(\$483,568)	\$456,000	\$516,883	\$33,315

	Transfers	Budgeted	Remaining Budget
Contingencies	(\$60,883)	\$74,000	\$13,117

	YTD Expenses	Total Budget	YTD vs. Total Budget
Grand Totals:	(\$483,568)	\$530,000	\$46,432

¹ The FY 2014-15 Budget was approved by the Deferred Compensation Management Council (Council) on February 27, 2014.

² On March 16, 2015, the Council approved the transfer of \$52,000 from Contingencies to provide: 1) \$27,000 to pay for expenses related to the Record-keeper RFP process (previous budget of \$0) and 2) \$25,000 in additional funding for Staff Costs (previous budget of \$56,500).

³ Pending Council approval on August 27, 2015, \$8,883 transferred from Contingencies to pay for premiums on the 2014-15 and 2015-16 Fiduciary Liability Insurance Policies (previous budget of \$11,000).

ITEM 9 - ATTACHMENT E



County of Fresno Deferred Compensation Plan
REVISED 2015-16 Fiscal Year to Date Budget Report

Revenue and Expenses as of September 30, 2015

<u>Revenue</u>	Year to Date	Projected	YTD vs. Projected
Administrative Fees	\$68,088	\$195,000	(\$126,912)

Totals: \$68,088 \$195,000 (\$126,912)

<u>Discretionary Expenses</u>	Year to Date	Budgeted	YTD vs. Budgeted
Consultant Fees	(\$12,500)	\$50,000	\$37,500
Fiduciary Liability Insurance Policy	\$0	\$12,000	\$12,000
Staff Costs	(\$9,449)	\$106,000	\$96,551
NAGDCA	(\$5,026)	\$7,000	\$1,974

Totals: (\$26,975) \$175,000 \$148,025

<u>Discretionary Expenses</u>	Transfers YTD	Budgeted	Remaining Budget
Contingencies	\$0	\$20,000	\$20,000

<u>Mandatory Expenses</u>	Year to Date	Projected	YTD vs. Projected
Record-keeping Fees	(\$51,200)	\$220,000	\$168,800

	YTD Expenses	YTD Revenue	Expenses vs. Revenue
Grand Totals:	(\$26,975)	\$68,088	\$41,113

ITEM 9 - ATTACHMENT F



County of Fresno Deferred Compensation Plan
ORIGINAL 2015-16 Fiscal Year to Date Budget Report

Revenue and Expenses as of September 30, 2015

<u>Revenue</u>	Year to Date	Projected	YTD vs. Projected
Administrative Fees	\$97,280	\$415,000	(\$317,720)
Totals:	\$97,280	\$415,000	(\$317,720)

<u>Expenses</u>	Year to Date	Budgeted	YTD vs. Budgeted
Consultant Fees	(\$12,500)	\$50,000	\$37,500
Record-keeping Fees	(\$51,200)	\$220,000	\$168,800
Fiduciary Liability Insurance Policy	\$0	\$12,000	\$12,000
Staff Costs	(\$9,449)	\$106,000	\$96,551
NAGDCA	(\$5,026)	\$7,000	\$1,974
Totals:	(\$78,175)	\$395,000	\$316,825

	Transfers	Budgeted	Remaining Budget
Contingencies	\$0	\$20,000	\$20,000

	YTD Expenses	Budgeted	YTD vs. Budgeted
Grand Totals:	(\$78,175)	\$415,000	\$336,825