



## Inter Office Memo

DEPARTMENT OF  
HUMAN RESOURCES

### ITEM 7

DATE: August 25, 2016

TO: Deferred Compensation Management Council

FROM: Hollis Magill, Human Resources Manager Hollis Magill

SUBJECT: 2015-16 Fiscal Year-End 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 Retirement Solutions) and for consulting services (Heintzberger Payne Advisors), as well as time spent by County staff (including Human Resources and County Counsel staff) in support of Plan activities and for outside legal counsel to review Plan-related documents.

#### Issue

Staff has prepared a 2015-16 Fiscal Year-End budget report for the twelve-month period that ended June 30, 2016 (Attachment B); the approved FY 2015-16 budget is detailed in Attachment A. Staff would like to note and explain the revenue and expense discrepancies:

- 1. Total revenues were higher than what was projected.** The revenue received in the first quarter of FY 2015-16 was based on revenue collected in April through June of 2015, which was subject to a higher administrative fee than the current fiscal year (0.13% of assets in FY 2014-15 vs. 0.09% of assets in FY 2015-16). This offset lower than expected Plan assets resulting from the stock market downturn in late calendar-year 2015.
- 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. Consulting fees were less than budgeted because Heintzberger Payne Advisors reduced their quarterly fee from \$12,500 to \$10,000 pursuant to Agreement #15-597. In addition, the contingency budget has not been needed.
- 3. Record-keeping fees were less than projected.** This was caused by the decrease in Plan assets caused by the aforementioned stock market downturn in late calendar-year 2015.

**ITEM 7 - ATTACHMENT A**

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

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

**Total Revenue: \$195,000 100.0%**

Discretionary Expense	Description	Dollars	% of Expenses
<b>Consultant Fees</b>	Pursuant to Agreement # 11-731 with Heintzberger-Payne Advisors, \$50,000 annually.	<b>\$50,000</b>	<b>25.6%</b>
<b>Fiduciary Liability Insurance Premium</b>	Fiduciary Liability Insurance Premium on \$5,000,000 in coverage.	<b>\$12,000</b>	<b>6.2%</b>
<b>Staff Costs</b>	Based on approximately 1,100 County staff hours (includes Personnel and County Counsel staff). Also includes participant communication costs, if necessary	<b>\$106,000</b>	<b>54.4%</b>
<b>NAGDCA Costs</b>	Send two (2) people to the 2015 NAGDCA conference and pay annual membership fee.	<b>\$7,000</b>	<b>3.6%</b>
<b>Contingencies</b>	Any appropriate expense not included in the items in the proposed budget.	<b>\$20,000</b>	<b>10.3%</b>

**Total Discretionary Expenses: \$195,000 100.0%**

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

**Total Mandatory Expenses: \$220,000**

**Total Expenses: \$415,000**

**ITEM 7 - ATTACHMENT B**

**County of Fresno Deferred Compensation Plan**

**Fiscal Year 2015-16 Revenue & Expenses as of June 30, 2016**

**Revenue**

<b>Category</b>	<b>Year to Date</b>	<b>Projected</b>	<b>YTD vs. Projected</b>
Administrative Fees	\$213,434	\$195,000	\$18,434
<b>Totals:</b>	<b>\$213,434</b>	<b>\$195,000</b>	<b>\$18,434</b>

**Discretionary Expenses**

<b>Category</b>	<b>Year to Date</b>	<b>Budgeted</b>	<b>YTD vs. Budgeted</b>
Consultant Fees	(\$45,000)	\$50,000	\$5,000
Fiduciary Liability Insurance Policy	(\$10,134)	\$12,000	\$1,866
Staff Costs	(\$72,072)	\$106,000	\$33,928
NAGDCA	(\$5,703)	\$7,000	\$1,297
Contingencies	\$0	\$20,000	\$20,000
<b>Totals:</b>	<b>(\$132,909)</b>	<b>\$195,000</b>	<b>\$62,091</b>

**Discretionary Totals**

<b>Expenses vs. Revenue</b>	<b>YTD Expenses</b>	<b>YTD Revenue</b>	<b>Difference</b>
<b>Grand Totals:</b>	<b>(\$132,909)</b>	<b>\$213,434</b>	<b>\$80,525</b>

**Mandatory Expenses**

<b>Category</b>	<b>Year to Date</b>	<b>Projected</b>	<b>YTD vs. Projected</b>
Record-keeping Fees	(\$203,385)	\$220,000	\$16,615