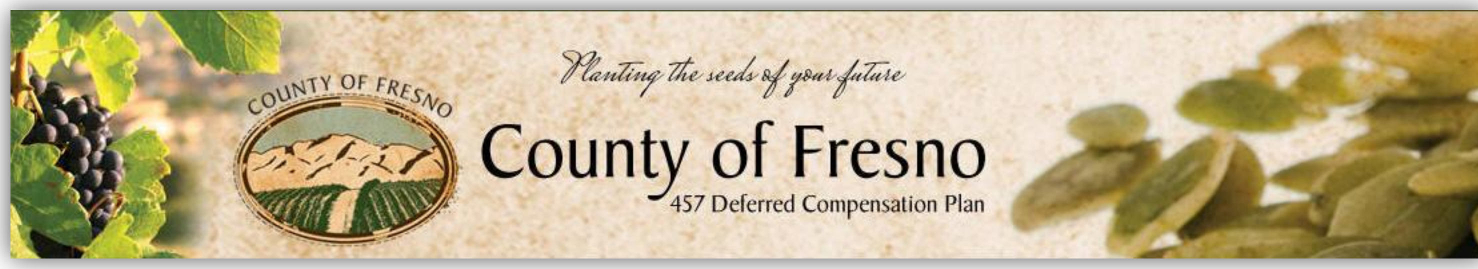

Proposed Changes to the Fresno County 457(b) Deferred Compensation Plan Fee Structure

On June 18, 2013, a change to the County of Fresno 457(b) Deferred Compensation Plan (Plan) fee structure will be recommended to the County of Fresno Board of Supervisors. After careful analysis, the Deferred Compensation Management Council (DCMC), which is tasked with overseeing the administration of the Plan, is recommending a new system to more equitably pay for the administration of the Plan.

A Discussion of Plan Related Fees

Historically, costs associated with the administration of employer sponsored supplemental retirement programs, such as the County Plan, have been paid from the expense ratio of a plan's investment options. This is called "revenue-sharing". Recently there has been a move away from revenue-sharing to an explicit participant fee to pay for the administration of the retirement program (e.g. record keeping, quarterly statement production, online access, participant transactions, etc.).

Should the Board of Supervisors approve the recommended changes, the Plan will return all revenue-sharing directly to participants, and statements will show a separate "line-item" fee representing the administration costs of the Plan. Directly related to the fee change is the Plan's move to an investment option's least expensive share class[1] after revenue-sharing is factored in. For example, a share class with a 1.0% expense ratio and 0% revenue-sharing would be replaced by a share class with a 1.25% expense ratio and 0.5% revenue-sharing because the net expense is lower (1.0% vs. 0.75%).

The recommended changes will result, on average, in a **net savings in total fees** to plan participants. See the next page for potential benefits of this change and key dates.

[1] Mutual Fund investment options typically offer several different share classes of the same strategy (e.g., Large-Cap Growth). Different share classes are typically just different expense ratios associated with the same strategy.

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In addition to a net savings in total fees to plan participants, the recommended changes have a number of potential benefits:

- **Transparency** – A fixed administrative fee will make the actual cost of the Plan clear to the participant. It also keeps the Plan in compliance with possible fee disclosure guidelines that may be imposed in the future.
- **Fairness** – When revenue-sharing is used to pay for plan expenses, the burden of these expenses fall unfairly on participants selecting funds with higher revenue-sharing. For example, Mutual Fund ABC may pay 0.50% in revenue-sharing while Mutual Fund XYZ pays no revenue-sharing; a participant invested in ABC would be subsidizing plan costs for the investor in XYZ. By crediting revenue-sharing back to individuals and charging the same fee to all participants, each participant will pay an equal share of the plan costs based on their portion of plan assets.
- **Investment Selection** – A fixed administrative fee allows the Plan to choose the best investment option with the lowest cost, without regard to the revenue-sharing number. Currently, the amount of revenue-sharing has to be taken into consideration when selecting an investment option.

Important Dates

- **May 31, 2013**: A group education session is scheduled at 12:00 p.m. in the County Plaza Ballroom. Representatives of the County and Great-West, as well as the Plan consultant will be available to answer questions or hear your feedback
- **June 18, 2013**: Amendment No. 1 to the current service agreement with Great West submitted to the Board for approval.

Pending Board approval, the new fee structure will be implemented in the third quarter of 2013.

For more information on the recommended changes and the Deferred Compensation Plan in general, please visit http://www2.co.fresno.ca.us/DCMC.htm or contact Employee Benefits at (559) 600-1810.