



Inter Office Memo

DEPARTMENT OF
PERSONNEL SERVICES

DATE: October 5, 2012

TO: Deferred Compensation Management Council (DCMC)

FROM: Paul Nerland, Personnel Services Manager

SUBJECT: Participant Accounts with Sun Life Financial

Background

Sun Life Financial (Sun Life) began providing investment services to the County of Fresno Deferred Compensation Plan (Plan) in December of 1983 and remained the primary investment option until April of 1991. At that time, the County contracted with Hartford Life to provide administrative and investment services to the Plan. However, the County allowed participants to maintain their Sun Life investments and there are currently ten (10) participants with investments remaining in Sun Life.

Issue

It is no longer administratively practicable to allow participants to maintain their investments with Sun Life under the Plan for the reasons listed below.

1. Administration of accounts

The County has an obligation to administer participant accounts according to our Plan Document and IRS regulations; failure to do so may jeopardize the Plan. As the County does not have a current service agreement with Sun Life, the Plan does not have full control over the administration of participant accounts managed by Sun Life. This has caused such problems as the inability to provide adequate oversight of investments as well as Sun Life's refusal to provide tax reporting on distributions.

2. Processing transactions

County staff has had difficulty assisting Sun Life participants with simple transactions such as distributions and address changes. These simple requests routinely require letters from the County in addition to a County signature on the appropriate form. Recently, Sun Life has insisted that the County execute an agreement with them in order to process these transactions. As these agreements obligate the County to comply with unfavorable liability language, assign administrative responsibilities to the County staff and only apply to ten participants, staff would not recommend this option. Fortunately, Employee Benefits staff has been able to work with Sun Life representatives to bypass

these requirements temporarily. However, Sun Life may not be as flexible with their procedures going forward.

3. Fee structures and disclosure

The County has the ability to work with Great-West to provide the lowest possible fee structure, whereas Sun Life is not obligated (and may not have the ability) to provide the same fee flexibility. Additionally, the County is working with Great-West for greater transparency in the Plan's fee structure. Sun Life is not obligated to disclose their fee structure as disclosure is not a requirement for 457 plans but rather an industry best practice.

Recommended Action

Staff is seeking direction/approval from the DCMC to offer Sun Life participants the option of transferring their funds to Great-West or taking a distribution in the form of cash or a direct rollover.

This action will improve service for the participants while streamlining the administration of the Plan. In addition, it gives participants the option of retaining the advantages of a large 457 plan instead of simply distributing accounts. If approved, Staff and Heintzberger-Payne Associates (Heintzberger-Payne) will take the following actions:

1. Heintzberger-Payne will determine appropriate investment mapping from Sun Life to Great-West for these terminated participants.
2. Staff and Heintzberger-Payne will prepare notification, with the options stated in the Recommended Action, to be sent to these terminated participants.
3. After 45 days, Staff will direct Sun Life to make distributions as selected by Sun Life account holders or transfer to new accounts with Great-West.

If you have any questions, staff will be prepared to answer at the meeting.