




Inter Office Memo

DEPARTMENT OF
PERSONNEL SERVICES

ITEM 6

DATE: April 15, 2013

TO: Deferred Compensation Management Council

FROM: Paul Nerland, Personnel Services Manager 

SUBJECT: 2012-2013 Fiscal Year Budget Update and 2013-2014 Fiscal Year Deferred Compensation Plan Budget

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 (the "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 (Great-West) 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. In order to offset the costs of these Plan-related expenses, at the October 5, 2012 meeting the DCMC approved a fixed administrative fee of 0.23% to be charged to each participant based on their Plan assets. Staff anticipates that the administrative fee will begin with the first quarter of fiscal year 2013-2014.

Issue

Fiscal year 2012-2013 Update

Staff has prepared a 2012-2013 fiscal year budget update with quarter-end March 31, 2013 and year-to-date data (Attachment "A"). Staff would like to note and explain the revenue and expense discrepancies:

- Both the quarter-end and year-to-date revenues are less than what was projected. We based revenue on flat administrative fee of 0.23% of total assets; this fee has not been implemented when the budget was adopted, which caused the discrepancy.
- Both the quarter-end and year-to-date expenses are less than what was budgeted. Legal fees and staff costs have been less than expected, and the contingency budget has not been utilized.
- Both the Consultant fees and Great-West fees are over budget year-to-date. The discrepancy in Consultant Fees is due to the 4th Quarter fiscal year 2011-2012 charge being paid in the 1st Quarter of fiscal year 2012-2013. The discrepancy in Great West Fees is due to higher than expected Plan assets, which is how the fees are generated – a flat 0.0375% per quarter (0.15% annually); the budget anticipated assets of \$160 million, but Plan assets have increased to over \$175 million.

Fiscal Year 2013-2014 Budget

In addition to the update on the fiscal year 2012-2013 budget, Staff has drafted a budget anticipating expenses for the 2013-2014 fiscal year (Attachment “B”). Expense categories include mandatory expenses (pursuant to agreements with Great West Retirement Services and Heintzberger-Payne Associates), miscellaneous expenses (County Staff costs, legal fees, and educational expenses), and a contingency fund, should the Plan incur an unexpected expense.

Staff would like to highlight the following areas for explanation:

- **Great-West fees.** Staff anticipates that Great-West’s fees will increase, as the total Plan assets continue to increase. The proposed budget represents an increase of \$15,000 over fiscal year 2012-2013.
- **Fiduciary Liability Insurance.** In Item 9 on today’s agenda, Staff is recommending that the DCMC pursue a \$5 million fiduciary liability insurance policy. The annual cost of this policy is estimated to be \$10,000.
- **Staff costs.** While the cost of Personnel staff has totaled just \$23,593 in the past nine (9) months, we expect that cost to increase. A review of charges revealed that some support work for the Plan had not been consistently billed. Although this has been rectified prospectively, it is expected to increase hours billed to the Plan but capture the true cost of administration. Additionally, there is an increase in workload anticipated for the planned request for proposal (“RFP”) processes for both the third party administrator and for consulting services (contracts with current vendors expire in 2013). Despite the increase in projected costs compared to actual costs this year, the proposed budget still represents a decrease of \$12,000 over fiscal year 2012-2013.
- **Legal fees.** Staff anticipates that these fees will increase over fiscal year 2012-2013 due to the planned RFP processes for the third-party administrator and consulting services in fiscal year 2013-2014; County Counsel staff provided extensive assistance in contract review during the previous RFP processes for these vendors. The proposed budget represents an increase of \$5,000 over fiscal year 2012-2013.
- **NAGDCA Conference.** The proposed budget represents an increase of \$3,600 over actual costs in fiscal year 2012-2013. Staff anticipates an increase over fiscal year 2012-2013 based on the cost to send two individuals and the conference is out of state.

Recommended Action

Staff is recommending that the DCMC approve the attached budget, either as submitted or with amendments.

The recommended action allows for greater transparency in reporting the administrative costs on which participant funds are spent.