Inter Office Memo

DEPARTMENT OF
PERSONNEL SERVICES

ITEM 7

DATE: April 15, 2013

TO: Deferred Compensation Management Council

FROM: Paul Nerland, Personnel Services Manager Paul Nerland

SUBJECT: Distribution of Excess Plan Assets

Background

As you are aware, the Plan receives quarterly revenue to offset reasonable expenses from Great-West Retirement Services (pursuant to Agreement # 09-528) and revenue-sharing from the various investment options offered to participants. In addition to the recurring quarterly revenues, the Plan also received a one-time payment from Hartford Financial Services Group ("Hartford") in the amount of $167,363.22, pursuant to Agreement # 11-063 (approved by the Board of Supervisors February 8, 2011). The one-time payment from Hartford was for an annual reimbursement of $50,000 to the Plan that was promised by Hartford for 2006-2009 but was never delivered. In total, there is currently $410,599.49 in unallocated Plan assets.

Issue

In a separate item on today's agenda, the DCMC is being asked to approve a spending plan for fiscal year 2013-2014. The spending plan includes revenues generated through a quarterly administrative fee of 0.0575% (0.23% per year). As the Plan will not need as many assets as are currently available, it is prudent to return the majority of these funds to the participants. Therefore, Staff is recommending that all but $75,000 should be returned to participants as soon as administratively feasible. The remaining $75,000 would be encumbered in the event of an emergency expenditure or in the event that expenses temporarily exceed revenues.

Recommended Actions

Staff is recommending that the DCMC approve the distribution of all but $75,000 in unallocated Plan assets to participants, proportionately based on account balance (e.g., 10% to a participant whose account balance equals 10% of total Plan assets).

Staff also recommends encumbering the remaining $75,000 for unexpected expenses.

The recommended actions will keep unallocated Plan assets at a minimum level and return excess funds to participants which were generated by fees on their investments.