



Inter Office Memo

DEPARTMENT OF
PERSONNEL SERVICES

ITEM 9

DATE: March 16, 2015

TO: Deferred Compensation Management Council

FROM: Paul Nerland, Personnel Services Manager

SUBJECT: Fiscal Year 2015-16 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 (Plan), such as third-party administration, consulting, legal and County staff costs, shall be charged to Plan participants. In order to offset the costs of these Plan-related expenses, the County directs the Plan Record-keeper to charge an administrative fee to each participant. For Fiscal Year 2014-15, that fee was 0.23%.

Issue

Staff has drafted a budget anticipating revenue and expenses for FY 2015-16 (Attachment "A") with the following expense line-items:

- Consultant Fees
- Record-keeping Fees
- Fiduciary Liability Insurance Policy
- Staff Costs
- NAGDCA Costs
- Contingencies

Staff would like to highlight the following areas for explanation:

- **Administrative Fee.** The administrative fee was set at 0.23% for FY 2014-15. However, staff is recommending a reduction in the fee to 0.19%. This is due mainly to the reduction in record-keeping fees, and growth in Plan assets relative to fixed costs, such as consulting fees.
- **Staff Costs.** The proposed budget represents an increase of \$49,500 over the original appropriation for FY 2014-15. However, staff would like to note the following factors:
 - Fiscal year 2015-16 will include the finalization of the Plan Consultant RFP process, which will be require additional labor for staff.
 - The cost of County Counsel time has been consolidated to the Staff Cost line-item.

- As stated in a separate item on today's agenda, based on the amount of time spent on the Plan Record-keeper RFP process, staff anticipates that \$25,000 in additional funding for the Staff Cost line-item will be needed.

Therefore, the FY 2015-16 appropriation represents an increase of approximately \$20,000 in actual costs over FY 2014-15.

- **Fiduciary Liability Insurance Policy.** Staff has included the anticipated cost of a \$5 million fiduciary liability insurance policy which covers both the Plan and your Council. The current policy expires July 1, 2015; staff will renew the policy each fiscal year unless your Council provides direction to the contrary.

Recommended Action

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

ITEM 9 - ATTACHMENT "A"

Proposed FY 2015-16 Deferred Compensation Plan Budget

| Revenue Source | Description | Dollars | % of Revenue |
|---------------------------|---|------------------|---------------|
| Administrative Fee | 0.19% of Plan Assets, based on average of ~\$219,000,000 in assets. | \$415,000 | 100.0% |

Total Revenue: \$415,000 100.0%

| Expense | Description | Dollars | % of Expenses |
|--|--|------------------|---------------|
| Consultant Fees | Pursuant to Agreement # 11-731 with Heintzberger-Payne Advisors, \$50,000 annually. | \$50,000 | 12.0% |
| Record-keeping Fees | Pursuant to Agreement # 14-710 with Nationwide, 0.10% of Total Assets per year. | \$220,000 | 53.0% |
| Fiduciary Liability Insurance Premium | Fiduciary Liability Insurance Premium on \$5,000,000 in coverage. | \$12,000 | 2.9% |
| Staff Costs | Based on approximately 1,100 County staff hours (includes Personnel and County Counsel staff). Also includes participant communication costs, if necessary | \$106,000 | 25.5% |
| NAGDCA Costs | Send two (2) people to the 2015 NAGDCA conference and pay annual membership fee. | \$7,000 | 1.7% |
| Contingencies | Any appropriate expense not included in the items in the proposed budget. | \$20,000 | 4.8% |

Total Expenses: \$415,000 100.0%