



Inter Office Memo

DEPARTMENT OF
HUMAN RESOURCES

ITEM 6

DATE: May 11, 2017

TO: Deferred Compensation Management Council

FROM: Hollis Magill, Human Resources Manager *Hollis Magill*

SUBJECT: Proposed Fiscal Year 2017-18 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 2016-17, that fee was 0.19%.

Issue

Attachment A includes a proposed budget anticipating revenue and expenses for FY 2017-18. In addition, Attachment B includes the approved FY 2016-17 budget for reference. Staff has provided additional information below regarding the budget items.

1. Administrative and Record-keeping fees

Pursuant to Agreement #14-710, the record-keeping fees are 0.10% of Plan assets per year; the prorated portion of this fee is deducted monthly from participant accounts. Your Council has set the discretionary participant fee at 0.09% of Plan assets per year, which is also deducted monthly from participant accounts on a prorated basis. Staff recommends that the discretionary portion of the annual fee remain at 0.09%.

Regarding participant fee revenue in FY 2016-17, staff is anticipating an increase from \$175,000 budgeted in FY 2016-17 to \$192,000 in FY 2017-18. This represents a \$17,000 or 10% increase from FY 2016-17. Staff anticipated total Plan assets of approximately \$195 million in FY 2016-17, while in FY 2017-18 assets are anticipated to be approximately \$220 million.

Regarding record-keeping fees, staff is anticipating approximately \$230,000 in record-keeping expenses, which represents a \$30,000 or 15% decrease from FY 2016-17 due to the increase in total Plan assets mentioned above.

2. County Staff

The proposed budget is unchanged from FY 2016-17. This budget item includes Human Resources and County Counsel staff costs, as well as participant communication costs.

3. Consultant

Pursuant to Agreement #15-597; the proposed budget is unchanged from FY 2016-17.

4. Outside Counsel

Human Resources and County Counsel staff are currently working with the law firm of Chang, Ruthenberg, and Long (“CRL”) to update the County of Fresno 457(B) Deferred Compensation Plan Document, which is the Plan’s main governing document. However, CRL have recommended a deeper review of all governing documents and service agreements related to the Plan, to ensure compliance with applicable state and federal laws and regulations, as well as to ensure that the Plan adheres to legal best practices. County Counsel agrees with CRL’s recommendation that this level of review would be beneficial to the Plan and its participants.

5. Fiduciary Liability Insurance Policy

The proposed budget is unchanged from FY 2016-17. 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, 2017.

6. Off-Site Training

The proposed budget is unchanged from FY 2016-17 and assumes sending two (2) members of your Council or staff to the 2017 National Association of Governmental Defined Contribution Administrators (NAGDCA) conference in Milwaukee, Wisconsin.

7. Contingencies

The proposed budget is unchanged from FY 2016-17.

Recommended Actions

1. Approve the FY 2017-18 discretionary administrative fee of 0.09%.

The fee does not include the 0.10% record-keeping fee which Nationwide deducts directly from participant accounts. Total participant fees will equal 0.19%, which is unchanged from FY 2016-17.

2. Approve the FY 2017-18 budget (Attachment A), either as submitted or with amendments.

3. Select up to two (2) individuals to represent the Plan at the NAGDCA conference or modify or delete the Off-Site Training budget item.

Item 6 - Attachment A: Proposed 2017-18 Fiscal Year Deferred Compensation Plan Budget

Discretionary Items

Revenue Source	Description	Dollars	% of Revenue
Administrative Fee	0.09% of Plan Assets, based on approximately \$220 million in assets.	\$192,000	100%
Total Revenue:		\$192,000	100%
Expense	Description	Dollars	% of Expenses
County Staff	Human Resources and County Counsel staff time and participant communications.	\$102,000	53.1%
Consultant	Pursuant to Agreement # 15-597 with Northwest Capital Management.	\$40,000	20.8%
Outside Counsel	Cost of outside legal firm to review Deferred Compensation Plan governing documents.	\$12,000	6.3%
Fiduciary Liability Insurance	Premium on \$5 million in Fiduciary Liability Insurance coverage.	\$11,000	5.7%
Off-Site Training	Send two (2) people to the 2017 NAGDCA conference and pay annual membership fee.	\$7,000	3.6%
Contingencies	Any appropriate expense not included in the items in the proposed budget.	\$20,000	10.4%
Total Discretionary Expenses:		\$192,000	100%

Mandatory Items

Revenue Source	Description	Dollars
Nationwide Fee	0.10% of Plan Assets, based on approximately \$220 million in assets. Fees are debited directly from participants' accounts on a monthly basis.	\$230,000
Expense	Description	Dollars
Record-keeping	Pursuant to Agreement # 14-710 with Nationwide, 0.10% of Total Assets per year.	\$230,000

Item 6 - Attachment B: Approved FY 2016-17 Deferred Compensation Plan Budget

Discretionary Items

Revenue Source	Description	Dollars	% of Revenue
Administrative Fee	0.09% of Plan Assets, based on average of ~\$195,000,000 in assets.	\$175,000	87.5%
Excess Funds from FY 2013-14	Excess funds from Fiscal Year 2013-14 to be used in FY 2016-17	\$25,000	12.5%
Total Revenue:		\$200,000	100.0%
Discretionary Expense	Description	Dollars	% of Expenses
Consultant Fees	Pursuant to Agreement # 15-597 with Heintzberger-Payne Advisors, \$40,000 annually.	\$40,000	20.0%
Fiduciary Liability Insurance	Fiduciary Liability Insurance Premium on \$5,000,000 in coverage.	\$11,000	5.5%
Staff Costs	Based on approximately 1,100 County staff hours (includes Personnel and County Counsel staff). Also includes participant communication costs, if necessary	\$102,000	51.0%
Off-Site Training Costs	Send two (2) people to the 2016 NAGDCA conference and pay annual membership fee.	\$7,000	3.5%
Plan Document Legal Review	Cost to have an outside legal firm review the Deferred Compensation Plan Document	\$20,000	10.0%
Contingencies	Any appropriate expense not included in the items in the proposed budget.	\$20,000	10.0%
Total Discretionary Expenses:		\$200,000	100.0%

Mandatory Items

Revenue Source	Description	Dollars	% of Revenue
Nationwide Fees	0.10% of Plan Assets, based on average of ~\$195,000,000 in assets; fees are debited directly from participants' accounts on a monthly basis	\$200,000	
Total Revenue:		\$200,000	
Mandatory Expense	Description	Dollars	
Record-keeping Fees	Pursuant to Agreement # 14-710 with Nationwide, 0.10% of Total Assets per year.	\$200,000	
Total Mandatory Expenses:		\$200,000	