



Inter Office Memo

DEPARTMENT OF
HUMAN RESOURCES

ITEM 9

DATE: March 8, 2018

TO: Deferred Compensation Management Council

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

SUBJECT: Report on the Amendment and Restatement of the County of Fresno 457(B) Deferred Compensation Plan Document

Background

At the February 25, 2016 meeting, your Council directed staff to update the County of Fresno 457(B) Deferred Compensation Plan Document to ensure that it remains in compliance with applicable federal and state laws and regulations.

Issue

Staff is in the final stages of preparing the amended and restated Plan Document for your Council's review and approval. However, staff has summarized the substantive changes from the current Plan Document that will be included in the amended and restated Plan Document for your Council's consideration.

1. Roth Option

This provision was approved by your Council at the August 25, 2016 DCMC meeting and allows participants to make after-tax contributions as well as execute in-plan rollovers, which re-characterizes their balances from pre-tax to after-tax. Please note that a Roth IRA is not currently eligible to be rolled into the Plan pursuant to IRS rules.

2. Self-Directed Brokerage Accounts

This provision was added in the event that your Council and/or the Board of Supervisors elects to offer the option to participants. The option may be activated by your Council's establishment of a policy governing Self-Directed Brokerage Accounts. The proposed language does not obligate the Plan to offer this option.

3. Beneficiary Policy

The new language provides for the revocation of a spousal beneficiary upon dissolution of marriage and details who will receive a deceased participant's account if the participant does not designate a beneficiary.

4. Lost Participant or Beneficiary

The new language details the process for finding lost participants or beneficiaries and how an account is handled if the participant or beneficiary is not found.

5. Powers and Responsibilities of the Council

- a. Investment Options. Your Council shall have the authority to execute documents necessary to implement changes to the Plan investment options. In addition, your Council shall have the authority to outsource the selection of Plan investment options to a qualified investment advisor, but does not create an obligation to do so.
- b. Plan Expenses. Your Council shall have the authority to determine the reasonable Plan expenses and the administrative fee charged to Participants to pay for reasonable Plan expenses on an annual basis. This change formally codifies your Council's authority with regard to determining reasonable Plan expenses and setting the administrative fee; your Council currently performs both responsibilities as part of the annual budget approval and review process.

6. In-Plan Distributions

Currently, participants may take an "In-Plan De Minimis" distribution, if their account balance is less than \$5,000 and they have not contributed in at least two (2) years. This provision is recommended for removal as it is only allowed once per career, making it hard to track and enforce.

7. Distribute Small-Balance Accounts

This provision allows the Plan to distribute account balances of less than \$1,000 to participants upon separation from service, but does not create an obligation to do so. This will reduce the overall number of accounts, which will streamline administration. This will also ensure that separated participants will receive their funds instead of possibly forgetting about and never claiming their funds.

8. Claims Procedures

The new language provides procedures by which claimants, such as ex-spouses or beneficiaries of participants, may appeal the Plan's determination of benefits.

Recommended Action

There is no recommended action associated with this Item. However, your Council may direct staff to delete or alter the potential changes discussed in this Item and/or direct staff to add any provisions not discussed in this Item.