



Inter Office Memo

DEPARTMENT OF
HUMAN RESOURCES

ITEM 6

DATE: June 14, 2018
TO: Deferred Compensation Management Council
FROM: Hollis Magill, Human Resources Manager *Hollis Magill*
SUBJECT: Proposed Fiscal Year 2018-19 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 2017-18, that fee was 0.19%.

Issue

Attachment A includes a proposed budget anticipating revenue and expenses for FY 2018-19. In addition, Attachment B includes the approved FY 2017-18 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 2018-19, staff is anticipating an increase from \$192,000 budgeted in FY 2017-18 to \$202,000 in FY 2018-19. This represents a \$10,000 or 5% increase from FY 2017-18. Staff anticipated total Plan assets of approximately \$195 million in FY 2017-18, while in FY 2017-18 assets are anticipated to be approximately \$240 million.

Regarding record-keeping fees, staff is anticipating approximately \$240,000 in record-keeping expenses, which represents a \$10,000 or 4% increase from FY 2017-18 due to the increase in total Plan assets mentioned above.

2. County Staff

The proposed budget of \$107,000 represents a \$5,000 or 5% increase from FY 2017-18, primarily due to increases in hourly pay rates. This budget item includes Human Resources and County Counsel staff costs, as well as participant communication costs, if necessary.

3. Consultant

Pursuant to Agreement #15-597; the proposed budget is unchanged from FY 2017-18.

4. Fiduciary Liability Insurance Policy

The proposed budget is unchanged from FY 2017-18. 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, 2018.

5. Off-Site Training

The proposed budget of \$9,000 represents a \$2,000 or 29% increase from FY 2017-18, due to an increase in the number of attendees to three (3) members of your Council or staff to the 2018 National Association of Governmental Defined Contribution Administrators (NAGDCA) conference in Philadelphia, Pennsylvania. In prior budget years, this budget item included the costs of two (2) NAGDCA conference attendees.

6. Contingencies

The proposed budget of \$35,000 represents a \$15,000 or 75% increase from FY 2017-18. This includes the customary \$20,000 for unexpected expenses, as well as \$15,000 to pre-fund one half of the RFP costs that staff anticipates will be incurred during the 2019-20 fiscal year. Pursuant to Agreement #15-597, Northwest Capital Management's fees for RFP services are set at \$30,000.

Recommended Actions

1. Approve the FY 2018-19 discretionary administrative fee of 0.09%.

The fee does not include the 0.10% record-keeping fee which Nationwide deducts directly from participant accounts. Approval of the recommended action will set the total participant fees at 0.19%, which is unchanged from FY 2017-18.

2. Approve the FY 2018-19 budget (Attachment A), either as submitted or with amendments.

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

Item 6 - Attachment A: Proposed 2018-19 Fiscal Year Deferred Compensation Plan Budget

Discretionary Items

Revenue Source	2018-19 Budget	% of Revenue	2017-18 Budget	\$ Change from 2017-18	% Change from 2017-18
Administrative Fee	\$202,000	100%	\$192,000	\$10,000	5%
Total Revenue:	\$202,000	100%	\$192,000	\$10,000	5%
Expense	2018-19 Budget	% of Expenses	2017-18 Budget	\$ Change from 2017-18	% Change from 2017-18
County Staff	\$107,000	53%	\$102,000	\$5,000	5%
Consultant	\$40,000	20%	\$40,000	\$0	0%
Fiduciary Liability Insurance	\$11,000	5%	\$11,000	\$0	0%
Off-Site Training	\$9,000	4%	\$7,000	\$2,000	29%
Contingencies	\$35,000	17%	\$20,000	\$15,000	75%
Total Expenses:	\$202,000	100%	\$192,000	\$10,000	5%

Mandatory Items

Revenue Source	2018-19 Budget	2017-18 Budget	\$ Change from 2017-18	% Change from 2017-18
Nationwide Fee	\$240,000	\$230,000	\$10,000	4%
Expense	2018-19 Budget	2017-18 Budget	\$ Change from 2017-18	% Change from 2017-18
Record-keeping	\$240,000	\$230,000	\$10,000	4%

Item 6 - Attachment B: Approved 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