



Inter Office Memo

DEPARTMENT OF
HUMAN RESOURCES

ITEM 6

DATE: May 23, 2019
TO: Deferred Compensation Management Council
FROM: Hollis Magill, Human Resources Manager *Hollis Magill*
SUBJECT: Proposed Fiscal Year 2019-20 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 2018-19, that fee was 0.19%.

Issue

Attachment A includes a proposed budget anticipating revenue and expenses for FY 2019-20. In addition, Attachment B includes the approved FY 2018-19 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 2019-20, staff is anticipating an increase from \$202,000 budgeted in FY 2018-19 to \$245,000 in FY 2019-20. This represents a \$43,000 or 21% increase from FY 2018-19 and includes \$15,000 budgeted as contingency funds in FY 2018-19, in anticipation of expenses related to the Plan Record-Keeper RFP process; the RFP process is under way and will be completed in FY 2019-20.

The remainder of the increase in fee revenue is due to higher anticipated total Plan assets of approximately \$257 million in FY 2019-20; in FY 2018-19 staff anticipated Plan assets of approximately \$240 million.

Regarding record-keeping fees, staff is anticipating approximately \$260,000 in record-keeping expenses, which represents a \$20,000 or 8% increase from FY 2018-19 due to the increase in total Plan assets mentioned above.

2. County Staff

The proposed budget of \$121,000 represents a \$14,000 or 13% increase from FY 2018-19, due to increases in hourly pay rates. This budget item includes costs related to Human Resources and County Counsel staff, outside legal counsel and participant communication.

3. Consultant

The proposed budget of \$70,000 represents a \$30,000 or 75% increase from FY 2018-19. The increase is due solely to a one-time fee that staff anticipates will be charged by Northwest Capital Management related to the County's Plan Record-keeper RFP process. Pursuant to Agreement #15-597, the fee for said RFP process is \$30,000.

4. Fiduciary Liability Insurance Policy

The proposed budget of \$11,000 is unchanged from FY 2018-19. 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, 2019.

5. Off-Site Training

The proposed budget of \$10,000 represents a \$1,000 or 11% increase from FY 2018-19 and includes the cost of sending three (3) members of your Council and/or staff to the 2019 National Association of Governmental Defined Contribution Administrators (NAGDCA) conference in New Orleans, Louisiana.

6. Retiree Outreach

This is a new budget category and includes the cost of providing a catered lunch to approximately 150 retirees and a guest, at approximately \$25.00 per person. Staff anticipates hosting 2-4 luncheons where staff and Nationwide may discuss the advantages of staying in the Plan with retirees.

7. Contingencies

The proposed budget of \$25,000 represents a \$10,000 or 29% decrease from FY 2018-19, as the FY 2018-19 budget included a one-time cost of \$15,000 to pre-fund one half of the ongoing Plan Record-keeper RFP costs mentioned in "Consultant" paragraph, above.

Recommended Actions

1. Approve the FY 2019-20 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 2018-19.

2. Approve the FY 2019-20 budget (Attachment A), either as submitted or with amendments.

3. Select up to three (3) individuals to represent the Plan at the 2019 NAGDCA conference.

Item 6 - Attachment A

Discretionary Items

Revenue Source	2019-20 Budget	% of Revenue	2018-19 Budget	\$ Change from 2018-19	% Change from 2018-19
Administrative Fee	\$230,000	94%	\$202,000	\$28,000	14%
FY 2018-19 Carryover	\$15,000	6%	n/a	n/a	n/a
Total Revenue:	\$245,000	100%	\$202,000	\$43,000	21%
Expense	2019-20 Budget	% of Expenses	2018-19 Budget	\$ Change from 2018-19	% Change from 2018-19
County Staff	\$121,000	49%	\$107,000	\$14,000	13%
Consultant	\$70,000	29%	\$40,000	\$30,000	75%
Fiduciary Liability Insurance	\$11,000	4%	\$11,000	\$0	0%
Off-Site Training	\$10,000	4%	\$9,000	\$1,000	11%
Retiree Outreach	\$8,000	3%	n/a	n/a	n/a
Contingencies	\$25,000	10%	\$35,000	-\$10,000	-29%
Total Expenses:	\$245,000	100%	\$202,000	\$43,000	21%

Mandatory Items

Revenue Source	2019-20 Budget	2018-19 Budget	\$ Change from 2018-19	% Change from 2018-19
Nationwide Fee	\$260,000	\$240,000	\$20,000	8%
Expense	2019-20 Budget	2018-19 Budget	\$ Change from 2018-19	% Change from 2018-19
Record-keeping	\$260,000	\$240,000	\$20,000	8%