



Inter Office Memo

DEPARTMENT OF
HUMAN RESOURCES

ITEM 6

DATE: June 24, 2020

TO: Deferred Compensation Management Council

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

SUBJECT: Proposed Fiscal Year 2020-21 Deferred Compensation Plan Budget

Background

Pursuant to Section 8.02 of the County of Fresno 457(B) Deferred Compensation Plan Document, your Council shall determine the reasonable Deferred Compensation Plan (Plan) expenses, such as third-party administration, consulting, legal and County staff costs. In addition, your Council shall determine the administrative fee charged to Participants to pay for such reasonable Plan expenses, on an annual basis. For Fiscal Year 2019-20, that fee is 0.19%.

Issue

Attachment A includes a proposed budget anticipating revenue and expenses for FY 2020-21. In addition, Attachment B includes the approved FY 2019-20 budget for reference. Staff has provided additional information below regarding the budget items.

1. Administrative and Record-keeping fees

Pursuant to Agreement #20-033, 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 a decrease from \$230,000 budgeted in FY 2019-20 to \$225,000 in FY 2020-21. This represents a \$5,000 or 2% decrease from FY 2019-20.

The anticipated decrease in fee revenue is due to the decrease in Plan assets related to the COVID-19 pandemic. Staff has based revenue projections on Plan assets of approximately \$250 million; for FY 2019-20, staff based their projections on approximately \$257 million in Plan assets.

Regarding record-keeping fees, staff is anticipating approximately \$277,000 in record-keeping expenses, which represents a \$17,000 or 7% increase from FY 2019-20.

2. County Staff

The proposed budget of \$137,000 represents a \$16,000 or 13% increase from FY 2019-20, due

primarily to increases in hourly pay rates and anticipated outside legal expenses for Plan amendments related to the SECURE and CARES Acts. 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 \$40,000 represents a \$30,000 or 43% decrease from FY 2019-20. The decrease is due solely to the fact that FY 2019-20 included a one-time \$30,000 fee for assistance related to the County's Plan Record-keeper RFP process.

4. Fiduciary Liability Insurance

The proposed budget of \$11,000 is unchanged from FY 2019-20. 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, 2020.

5. Off-Site Training

The proposed budget of \$10,000 is unchanged from FY 2019-20 and includes the cost of sending three (3) members of your Council and/or staff to the 2020 National Association of Governmental Defined Contribution Administrators (NAGDCA) conference in Seattle, WA.

6. Retiree Outreach

The proposed budget of \$0 represents an \$8,000 or 100% decrease from FY 2019-20. Due to ongoing uncertainty related to the COVID-19 pandemic, staff is not recommending in-person luncheons during FY 2020-2021. Instead, Nationwide will

7. Contingencies

The proposed budget of \$25,000 is unchanged from FY 2019-20.

Recommended Actions

1. Approve the FY 2020-21 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 2019-20.

2. Approve the FY 2020-21 budget (Attachment A), either as submitted or with amendments.

3. Select up to two (2) members of the Deferred Compensation Management Council to join County staff in representing the Plan at the 2020 National Association of Governmental Defined Contribution Administrators conference, in Seattle, WA, October 4-7.

Item 6 - Attachment A

Discretionary Items

Revenue Source	2020-21 Budget	% of Revenue	2019-20 Budget	\$ Change from 2019-20	% Change from 2019-20
Administrative Fee	\$225,000	100%	\$230,000	-\$5,000	-2%
FY 2019-20 Carryover	\$0	0%	\$15,000	-\$15,000	-100%
Total Revenue:	\$225,000	100%	\$245,000	-\$20,000	-8%
Expense	2020-21 Budget	% of Expenses	2019-20 Budget	\$ Change from 2019-20	% Change from 2019-20
County Staff	\$139,000	62%	\$121,000	\$18,000	15%
Consultant	\$40,000	18%	\$70,000	-\$30,000	-43%
Fiduciary Liability Insurance	\$11,000	5%	\$11,000	\$0	0%
Off-Site Training	\$2,000	1%	\$10,000	-\$8,000	-80%
Retiree Outreach	\$0	0%	\$8,000	-\$8,000	-100%
Contingencies	\$33,000	15%	\$25,000	\$8,000	32%
Total Expenses:	\$225,000	100%	\$245,000	-\$20,000	-8%

Mandatory Items

Revenue Source	2020-21 Budget	2019-20 Budget	\$ Change from 2019-20	% Change from 2019-20
Nationwide Fee	\$277,000	\$260,000	\$17,000	7%
Expense	2020-21 Budget	2019-20 Budget	\$ Change from 2019-20	% Change from 2019-20
Record-keeping	\$277,000	\$260,000	\$17,000	7%

Item 6 - Attachment B

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%