




Inter Office Memo

DEPARTMENT OF
HUMAN RESOURCES

ITEM 8

DATE: June 23, 2021

TO: Deferred Compensation Management Council

FROM: Jeromy Kelsey, Principal Human Resources Analyst 

SUBJECT: Proposed Fiscal Year 2021-22 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 2020-21, that fee is 0.19%.

Issue

Exhibit A includes a proposed budget anticipating revenue and expenses for FY 2021-22. In addition, Exhibit B includes the approved FY 2020-21 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 set the discretionary participant fee at 0.09% of Plan assets for FY 2020-21, which is also deducted monthly from participant accounts on a prorated basis.

Regarding participant fee revenue in FY 2021-22, staff recommends that the discretionary portion of the annual fee decrease from 0.09% of Plan assets to 0.08% of Plan assets due to an increase in Plan assets. Staff still anticipates an increase in revenue from \$225,000 budgeted in FY 2020-21 to **\$239,000** in FY 2021-22. This represents a \$14,000 or 6% increase from FY 2020-21.

Staff based revenue projections on Plan assets of approximately \$339 million; for FY 2020-21, staff based their projections on Plan assets of approximately \$250 million. The projected revenue number assumes a decrease in the annual discretionary fee from 0.09% to 0.08, but also protects against a significant stock market correction.

Regarding record-keeping fees, staff is anticipating approximately **\$350,000** in record-keeping expenses, which represents a \$73,000 or 26% increase from FY 2020-21. The projected increase is due to the increase in Plan assets since April of 2020.

2. County Staff

The proposed budget of **\$156,000** represents a \$17,000 or 12% increase from FY 2020-21, 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 **\$42,500** represents a \$2,500 or 6% increase from FY 2020-21. The increase is due solely to the fact that the County entered into a new agreement with Northwest Capital Management, pursuant to County RFP No. 20-056.

4. Fiduciary Liability Insurance

The proposed budget of **\$13,000** represents a \$2,000 or 18% increase from FY 2020-21. 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, 2021.

5. Off-Site Training

The proposed budget of **\$2,500** represents a \$500 or 25% increase from FY 2020-21 and includes the cost of registering three (3) members of your Council and/or staff for the 2022 National Association of Governmental Defined Contribution Administrators (NAGDCA) conference in Baltimore, MD, assuming that travel restrictions related to the COVID-19 pandemic have been lifted. Travel expenses for the 2022 NAGDCA conference, if applicable, will be included in the FY 2022-23 budget.

6. Contingencies

The proposed budget of **\$25,000** represents an \$8,000 or 24% decrease from FY 2020-21.

Recommended Actions

1. Approve the FY 2021-22 discretionary administrative fee of 0.08%.

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 fee at 0.18%.

2. Approve the FY 2021-22 budget (Exhibit A), either as submitted or with amendments.

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Discretionary Items

Revenue Source	2021-22 Budget	% of Revenue	2020-21 Budget	\$ Change from 2020-21	% Change from 2020-21
Administrative Fee	\$239,000	100%	\$225,000	\$14,000	6%
Total Revenue:	\$239,000	100%	\$225,000	\$14,000	6%
Expense	2021-22 Budget	% of Expenses	2020-21 Budget	\$ Change from 2020-21	% Change from 2020-21
County Staff	\$156,000	65%	\$139,000	\$17,000	12%
Consultant	\$42,500	18%	\$40,000	\$2,500	6%
Fiduciary Liability Insurance	\$13,000	5%	\$11,000	\$2,000	18%
Off-Site Training	\$2,500	1%	\$2,000	\$500	25%
Contingencies	\$25,000	11%	\$33,000	-\$8,000	-24%
Total Expenses:	\$239,000	100%	\$225,000	\$14,000	6%

Mandatory Items

Revenue Source	2021-22 Budget	2020-21 Budget	\$ Change from 2020-21	% Change from 2020-21
Nationwide Fee	\$350,000	\$277,000	\$73,000	26%
Expense	2021-22 Budget	2020-21 Budget	\$ Change from 2020-21	% Change from 2020-21
Record-keeping	\$350,000	\$277,000	\$73,000	26%

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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%