



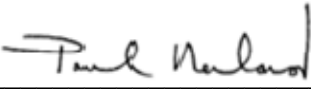
Inter Office Memo

DEPARTMENT OF
PERSONNEL SERVICES

ITEM 15

DATE: February 27, 2014

TO: Deferred Compensation Management Council

FROM: Paul Nerland, Personnel Services Manager 

SUBJECT: 2014-15 Fiscal Year 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 (the "Plan"), such as third-party administration, consulting, legal and County staff costs, shall be charged to Plan participants. The County currently charges the Plan for the cost of the third-party administrator (Great-West) and for consulting services (Heintzberger-Payne), as well as time spent by County staff (including Personnel Services and County Counsel staff) in support of Plan activities and for outside legal counsel to review Plan-related documents. In order to offset the costs of these Plan-related expenses, at the October 5, 2012 meeting the DCMC approved a fixed administrative fee of 0.23% to be charged to each participant based on their Plan assets. This administrative fee began in the second quarter of fiscal year 2013-14.

Issue

Staff has drafted a budget anticipating expenses for fiscal year 2014-15 (Attachment "A"). Expense categories include mandatory expenses (pursuant to agreements with Great West Retirement Services and Heintzberger-Payne Associates), miscellaneous expenses (County Staff costs, legal fees, and educational expenses), and a contingency fund, should the Plan incur an unexpected expense.

Staff would like to highlight the following areas for explanation:

- **Great-West fees and reimbursement.** Staff anticipates that Great-West's fees will increase, as the total Plan assets continue to increase. The proposed budget represents an increase of \$45,000 over fiscal year 2013-14. However, both the fees and the reimbursement may change based on the outcome of the Plan Record-keeper RFP process. Staff will update the budget mid-year, should these numbers change significantly.
- **Administrative Fee.** Depending on the outcome of the Plan Record-keeper RFP process, the administrative fee of 0.23% per participant may change. For example, if the Plan Record-keeper fee increases, the administrative fee will need to increase accordingly. Staff will update the budget mid-year, should these numbers change significantly.

- **Staff costs.** Fiscal year 2014-15 will include the finalization of the Plan Record-keeper RFP process and the initiation of the Plan Consultant RFP process, which will increase the workload of Staff. The proposed budget represents an increase of \$2,500 over fiscal year 2013-14.

Recommended Action

Staff is recommending that the DCMC approve the attached budget, either as submitted or with amendments.

The recommended action allows for greater transparency in reporting the administrative costs on which participant funds are spent.

ITEM 15 - ATTACHMENT "A"

Proposed FY 2014-15 Deferred Comp Plan Budget

Revenue

		Dollars	% of Revenue
Administrative Fee	0.23% of Plan Assets, based on \$200,000,000 in assets.	\$460,000	86.8%
Great-West Reimbursement	Pursuant to Agreement # 09-528 with Great-West Retirement Services, \$70,000 annually.	\$70,000	13.2%

Total Revenue: \$530,000 100.0%

Expenses: Fixed

		Dollars	% of Expenses
Consultant Fees	Pursuant to Agreement # 11-731 with Heintzberger-Payne Advisors, \$50,000 annually.	\$50,000	9.4%
Great-West Fees	Pursuant to Agreement # 09-528 with Great-West Retirement Services, 0.15% of Total Assets per year.	\$300,000	56.6%
Fiduciary Liability	Proposed Fiduciary Liability Insurance Premium on \$5,000,000 in coverage.	\$11,000	2.1%

Total Fixed Expenses: \$361,000 68.1%

Expenses: Miscellaneous

		Dollars	% of Expenses
Staff Costs	Time spent working on the Plan by Personnel Services Staff - approximately 728 hours.	\$56,500	10.7%
Legal Fees	Includes cost of both County Counsel Staff and review of documents and policies by outside counsel.	\$25,000	4.7%
NAGDCA	Send two (2) people to the 2014 NAGDCA conference in San Antonio, TX.	\$5,500	1.0%
Lunch & Learn	Includes cost of facilities and food; assumes four (4) events per year at \$2000 per event.	\$8,000	1.5%
Contingencies	Any appropriate expense not included in the items in the proposed budget.	\$74,000	14.0%

Total Miscellaneous Expenses: \$169,000 31.9%

Total Expenses: \$530,000 100.0%