



COUNTY OF SAN MATEO
Inter-Departmental Correspondence

Employee and Public Services

DATE: May 24, 2004

BOARD MEETING DATE: June 29, 2004

TO: Honorable Board of Supervisors

FROM: Deferred Compensation Committee
Mary Welch, Chair *MW*

SUBJECT: *PA* Paul Hackleman, Benefits Manager
Deferred Compensation Agreements with Hartford and Nationwide

Recommendation

Adopt a resolution waiving the Request for Proposal process and renewing Agreements with Hartford and Nationwide for the period from July 1, 2004 through June 30, 2009.

Background

The County has two 457 Deferred Compensation Plans which are authorized to receive employee contributions on a pre-tax basis. One plan is administered by Hartford. The other is administered by Nationwide. Each plan offers an array of investment options depending on an individual's investment objective and risk tolerance.

In 1999, the County entered into agreements with both administrators after they: 1) reduced administrative fees, 2) introduced a Self-Directed Brokerage Option to allow eligible participants the opportunity to invest in approximately 1,500 funds and 3) expanded internet options to conduct transactions (e.g. transfers of funds, reallocation of contributions). Since that date, the plan has been amended with Board approval to permit investment guidance and education through Morningstar and to provide direct reimbursement to the County for its administrative expenses.

Discussion

In early 2004, the Deferred Compensation Committee requested both Hartford and Nationwide to submit proposals as if responding to a Request for Proposal. The

proposals were then compared to the three largest Deferred Compensation Plans in the Bay Area (San Francisco, Santa Clara and San Jose). The comparison indicated that the proposed services were comparable to or exceeded those offered in the other plans. The key improvements in the new proposals were:

- Elimination or reduction of all administrative fees. Hartford has no administrative fees. Nationwide, which has smaller assets, eliminated administrative fees on all but four fund options. Fees on those funds are 0.05%.
- Guaranteed Fixed Account interest guarantees. Hartford, which holds the largest portion of participant assets guarantees a 4% floor for the term of the agreement or .25% higher than any new business offered nationally, whichever is higher.
- Increased educational services for both the Deferred Compensation Committee and the plan participants.
- Increased promotion of investment guidance services to assist participants in evaluating their personal goals and objectives and structuring their portfolios accordingly.
- Expanded due diligence assistance through legal and legislative support and detailed fund analysis, conducted annually, to assure that offered funds represent the "best in class" that are available.

Vision Alignment

The agreements with Hartford and Nationwide support Vision Statement # 20 which focuses on careful consideration of future impact and #21 incorporating the County's vision and goals into delivery of services.

Fiscal Impact

Contributions to deferred compensation are made by employees on a pre-tax basis. No County contributions are made. Additionally, both plans reimburse the County for its direct administrative expenses. As a result, there is no net County cost associated with either agreement.

RECOMMENDED

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COUNTY MANAGER