



COUNTY OF HUMBOLDT

For the meeting of: 9/21/2021

File #: 21-1310

To: Board of Supervisors

From: Treasurer/Tax Collector

Agenda Section: Departmental

SUBJECT:

Adding CalPERS as Additional Provider for County 457(b) Savings Plan

RECOMMENDATION(S):

That the Board of Supervisors:

1. Adopt Board Resolution No. _____ to approve and adopt the CalPERS 457 Plan
2. Authorize the Board Chair to sign the attached CalPERS Employer Information Sheet
3. Authorize the Board Chair to sign the attached CalPERS 457 Adoption Agreement
4. Authorize the Board Chair to sign the attached CalPERS 457 Loan Program
5. Authorize the Board Chair to sign the attached CalPERS 457 Roth Provision
6. Return copy of each document with original signatures to the Treasurer-Tax Collector

SOURCE OF FUNDING:

General Fund (1100)

DISCUSSION:

The county has had a 457(b) Deferred Compensation Plan (Plan) since it was adopted on Dec. 16, 1986. The Plan is a tax-advantaged retirement savings program offered by state and local governments to employees; known as "Participants" once they are enrolled. The county originally established the Plan with the Hartford Life Insurance Company as the Plan Provider, offering record-keeping services related to plan administration and accounting, participant and beneficiary transactions (e.g., enrollment, payroll deductions and contributions, Participant loans, withdrawals and distributions), as well as maintenance of the plan, participant accounts, records, and statements. The county Plan has since been sold to two different companies in succession; the first was to MassMutual in Dec. 2017. MassMutual then sold the Plan to the Empower Company in Dec. 2020. The Plan has assets of more than \$120,000,000 and over 1,600 county Participants, comprised of both current and former

employees.

The Treasurer-Tax Collector (TTC), as the designated Plan Administrator for the county, reached out and received three proposals from potential additional Plan Providers in spring 2019 from the following companies: Nationwide, ICMA, and Voya (which represents CalPERS). From those proposals the TTC is now recommending that your Board approve and adopt the CalPERS 457 plan, in addition to that of Empower Company, because of the following:

1. The current Plan with Empower has assets of more than \$120,000,000 which is a significant plan size. Adding another provider for more diversity of options and professional expertise to employees is pragmatic and would enhance the savings program.
2. While all three proposals offered diversified investment options, and competitive management fee schedules (paid by Participants), CalPERS will integrate access to Participants 457 accounts through the same 'myCalPERS' site through which employees access their CalPERS pension plan accounts.
3. The CalPERS plan is also the only company that has a local representative available. A local representative is a valuable service feature which the county has not had since shortly after MassMutual purchased the Plan from Hartford in 2017. Since that time, one to one service for county employees has diminished from an availability standpoint and has been sporadic compared to when a local representative was available. CalPERS will fill that void through having a salaried local representative living in Arcata.

The following are considerations about which your Board should be aware before making the decision to potentially add an additional provider to the county savings program:

1. The addition of CalPERS will create an additional work step for the Human Resources Department (HR) to input, and submit, the savings data to CalPERS each pay period.
2. The TTC will have to administer the CalPERS savings plan in addition to Empower. As Plan(s) Administrator, the TTC, and/or designated staff, must review and sign all requests to enroll, withdraw, rollover, purchase service credit, and/or apply for a loan from the Plan. In addition, the Treasury Division will have to electronically transfer the savings contributions to CalPERS for deposit to Participant accounts, as directed by HR.
3. HR will be asked to notify employees when a representative from either company (Empower or CalPERS) is offering countywide availability for their services via individual appointments or group meetings (post COVID-19). At present HR does this for the Empower representative only, so it would be a duplication of the contact and notification process they provide currently.

The TTC, as Plan Administrator, understands the value of retirement savings programs for their role in helping employees plan and establish additional income streams for their retirement years. The Plan is also an important tool for employees to learn how to tailor their savings accounts based on their personal investment risk tolerances and for achieving their financial objectives during retirement. Having access to the local representative from CalPERS, in addition to the Empower Representative, will enhance employee understanding of proper retirement planning through the additional expertise, and perspective of another retirement planning professional.

Should your Board decide to add CalPERS as an additional provider, the Resolution (Attachment 1) must be approved and adopted. The Employer Information Sheet (attachment 2) and the Adoption Agreement (Attachment 3) must be authorized for signing by the Board Chair, as noted in section 3 of the adoption agreement. Also, attached for your reference are the CalPERS Plan Document (attachment 4), CalPERS Fund Performance 6-21 (attachment 5), and the CalPERS Fund Fact Sheet (attachment 6). The fees and expenses of the investment options are shown in both 'fund performance' and 'fact sheet' documents. The enrollment kit mentioned in section 3 is not included because they are created specifically for each plan and the TTC does not have a generic version available.

The TTC also recommends that if your Board decides to add CalPERS to the county savings Plan then the optional provisions mentioned in section 3 of the 'adoption agreement' should be included. These are the Loan Program (Attachment 7), which allows employees to borrow funds from their account when needed, and the Roth Provision (Attachment 8) which allows 'after tax' contributions to their accounts, offering the advantage of tax-free distributions of investment growth once they have terminated service and have reached the age of 59 ½.

The Human Resources Director and Auditor-Controller, the other Members of the Deferred Compensation Committee, (along with the TTC), concur with this recommendation.

FINANCIAL IMPACT:

Adoption of the CalPERS 457 Plan has no impact on the General Fund, though it will increase the workload, as described above, for both the TTC and HR related to employee communication and plan administration. However, the addition of CalPERS as another provider of the 547 Plan, will provide employees with more diversity of options and professional expertise thereby enhancing the savings program for employees.

Fees association with the administration and management of the CalPERS 457 plan are calculated as a percentage of the amount the investor has in the Fund and charged directly to the investor. These fees are described within the Fund Performance 6-21 (attachment 5) and Fund Fact Sheet (attachment 6).

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by facilitating public/private partnerships to solve problems in support of county employees.

OTHER AGENCY INVOLVEMENT:

None

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board could decide not to add CalPERS as an additional Provider for the 457(b) savings plan.

ATTACHMENTS:

1. Board Resolution approving and adopting CalPERS as 457(b) Provider
2. CalPERS 457(b) Employer Information Sheet

3. CalPERS 457(b) Adoption Agreement
4. CalPERS 457(b) Plan Document
5. CalPERS Fund Performance 6-21
6. CalPERS Fund Fact Sheet
7. CalPERS 457(b) Loan Program
8. CalPERS 457(b) Roth Provision

PREVIOUS ACTION/REFERRAL:

Board Order No.: C-33

Meeting of: December 6, 2011

File No.: 16-3325