



FRESNO COUNTY FIRE

PROTECTION DISTRICT

Honor, Integrity, Cooperation & Professionalism

MEMORANDUM

Date: October 5, 2020

To: Board Directors

Attn: Mike Del Puppo
President

From: Fire District Staff

Subject: Resolution 2020-09 Approving the Adoption of the CalPERS 457 Plan

BOARD OF DIRECTOR'S BRIEFING PAPER

ISSUE:

District staff would like to establish a District 457 deferred compensation plan.

BACKGROUND:

In 2011, the District established a 401K deferred compensation plan. In January 2020, staff determined that the 401K plan had to be replaced with a 457 deferred compensation plan.

DISCUSSION:

Staff has been researching various options for establishing a 457 plan for the District. After contacting ten different providers of 457 plans, staff received responses from most providers. Staff have been comparing the available options and have reached out to some of the provider's clients for their input. The CalPERS 457 plan clients consistently had good things to say about their experience with working with the CalPERS 457 plan. The CalPERS Plan has some of the lowest fees and is specifically designed for agencies with small numbers of employees like the District. More than one 457 plan provider conceded that they would not be able to beat what CalPERS was offering. Staff is

asking for the Board to approve adopting the CalPERS 457 plan and approving the Fire Chief to sign and execute documents related to the implementation of the CalPERS 457 plan.

ALTERNATIVES:

1. Adopt the CalPERS 457 plan.
2. Provide a different deferred compensation plan other than the CalPERS 457 plan.
3. Not provide a deferred compensation plan for District employees.

IMPACTS (*Consider potential consequences related to each of the following areas of concern for proposed alternatives*):

- Fiscal – The District would provide a 4% match like it did with the 401K plan
- Operational – Minimal Staff time to administer the payroll deductions
- Legal – N/A
- Labor – Improved benefits that may help secure and retain employees
- Sociopolitical – N/A
- Policy – N/A
- Health and safety – N/A
- Environmental – N/A
- Interagency – N/A

RECOMMENDATION:

Staff is recommending that the Board of Directors approve Resolution 2020-09 Approving the Adoption of the CalPERS 457 plan. That any Board of Directors makes a motion to approve Resolution 2020-09 and to approve the Fire Chief to sign and execute documents related to the implementation of the CalPERS 457 plan.

APPROVED:



Josh I. Chrisman, Administration Officer

11/9/2020
Date



FRESNO COUNTY FIRE

PROTECTION DISTRICT

210 South Academy Avenue
Sanger, California 93657
Telephone: (559) 493-4300
Fax: (559) 875-8473
www.fresnocountyfire.org

RESOLUTION No. 2020-09

BEFORE THE BOARD OF DIRECTORS OF THE FRESNO COUNTY FIRE PROTECTION DISTRICT WITHIN THE COUNTY OF FRESNO, STATE OF CALIFORNIA

IN THE MATTER OF:

RESOLUTION NO. 2020-09 APPROVING ADOPTION OF CalPERS 457 PLAN

WHEREAS, the Fresno County Fire Protection District desires to establish a deferred compensation plan for the benefit of its employees; and

WHEREAS, the Board of Administration (the "Board") of the California Public Employees' Retirement System ("CalPERS") has established the CalPERS 457 Plan (the "CalPERS 457 Plan") which may be adopted by a governmental employer the employees of which are public employees; and

WHEREAS, the Fresno County Fire Protection District believes that the CalPERS 457 Plan and the investment options available thereunder will provide valuable benefits to its employees; and

WHEREAS, the Board has appointed Voya Financial® (the Plan Recordkeeper) to perform recordkeeping and administrative service under the CalPERS 457 Plan and to act as the Board's agent in all matters relating to the administration of the CalPERS 457 Plan; and

NOW, THEREFORE, BE IT RESOLVED that the Fresno County Fire Protection District adopts the CalPERS 457 Plan for the benefit of its employees and authorizes and directs the Fire Chief to execute the attached adoption agreement on behalf of the Fresno County Fire Protection District and to provide CalPERS or any successor agent duly appointed by the Board with such information and cooperation as may be needed on an ongoing basis in the administration of the CalPERS 457 Plan. A copy of this resolution, the agreement, and any attachments thereto shall be on file in the office of the District Administration Officer.

The foregoing Resolution was duly passed and adopted by the Board of Directors of the Fresno County Fire Protection District at a regular meeting thereof, held on the 18th day of November 2020 by the following vote:

AYES: _____

Michael Del Puppo

President

NOES: _____

Fresno County Fire Protection District

ABSENT: _____

John Arabian

Vice President

Fresno County Fire Protection District

Certification of Resolution

ATTEST:

I, **Deshaunda Hermosillo**, Clerk of the Fresno County Fire Protection District, California do hereby certify that this is a true and correct copy of the original **RESOLUTION #2020-09**.

WITNESS MY HAND OF THE FRESNO COUNTY FIRE PROTECTION DISTRICT, on this 18th day of November 2020.

Signature

Clerk of the Board, Fresno County Fire Protection District

Employer Adoption Agreement

The employer identified below (the "Employer") adopts the CalPERS 457 Plan (the "CalPERS 457 Plan" or the "Plan") for the benefit of its employees and agrees to be bound by and subject to the terms of the Plan, as it may be amended from time to time.

The Employer further agrees and represents as follows:

1. The Employer is a political subdivision of the State of California and is eligible to adopt the Plan.
2. The Employer has duly adopted a resolution (copy attached) or taken such other official action as required for its lawful adoption and implementation of the Plan and has authorized the undersigned to execute this Agreement on its behalf.
3. The Employer has received and has had the opportunity to review the following documents and information:
 - The Plan document;
 - A description of the optional provisions of the Plan;
 - A description of the investment options available to Plan participants and historical performance data for those investment options;
 - A complete description of fees and expenses that will or may be charged to Plan participants including, but not limited to, investment fees and administrative expenses; and
 - The Enrollment Kit for eligible employees, which includes forms and information for employees to participate in the Plan.

Contributions

4. The Employer understands that its employees will have the opportunity to defer their own compensation by designating an amount or percentage to be withheld from each paycheck and contributed to the Plan on the employee's behalf.
5. The Employer understands that the Plan must be made available to all employees and agrees to offer all employees the opportunity to participate in the Plan.
6. The Employer understands that the Plan cannot be made available to individuals who are not the Employer's common law employees and agrees not to offer such individuals the opportunity to participate in the Plan.
7. The Employer understands that each employee's deferrals under the Plan and any other eligible deferred compensation plan maintained by the Employer are subject to certain limits imposed by the Plan and the federal tax code. The Employer agrees to limit employees' deferrals under all plans maintained by the Employer to amounts that do not exceed applicable limitations.
8. The Employer agrees to deduct deferral amounts from employees' salaries and wages in accordance with the employees' elections, to remit all amounts deducted to the Plan as soon as reasonably practicable after such amounts are withheld, and to accurately report the amounts remitted.
9. The Employer understands and agrees that all amounts deferred under the Plan shall be 100% vested and shall be deposited in the Public Employees' Deferred Compensation Fund (the "Fund"), a trust established to hold such amounts, for the exclusive benefit of participants and their beneficiaries. The Employer shall have no right to Fund assets or to sell, redeem, or otherwise liquidate Fund assets, except as provided Plan section 10.6.

Investments

10. The Employer understands and agrees that employees who defer compensation under the Plan will have the right to direct the investment of their individual Plan accounts by choosing among the investment options selected by the CalPERS Board of Administration (the "Board") and offered under the Plan. The Employer further understands and agrees that any employee who does not provide timely directions for investing his or her account will be deemed to have selected the Plan's default investment. The Plan's default investment is currently the CalPERS Target Retirement Fund designated for an employee, based on his or her expected retirement date. The Employer understands and agrees that the Board, in its sole discretion, may add, eliminate, or consolidate investment options offered under the Plan, including the Plan's default investment option.
11. The Employer further understands and agrees that certain fees are charged to Plan participants for investment and administration expenses, and that such fees will be offset against investment returns or deducted from participants' Plan accounts periodically.

Administration

12. The Employer understands and agrees that, except as specifically set forth in the Plan, the administration of the Plan and Fund is subject to the exclusive control of the Board and that the Board has the authority to retain third parties to provide investment services, record keeping, accounting, or other services for the Plan.
13. The Employer agrees to assist and cooperate in providing Plan information to employees and to follow administrative procedures established by the Board or its designee(s) from time to time.
14. The Employer has completed the attached New Employer Data Sheet, which is incorporated by reference. The Employer hereby certifies that all information provided in connection with its adoption of the Plan is true and accurate.
15. The Employer understands and agrees that the Board has retained the power and authority to amend the Plan from time to time, subject to limitations set forth in the California Government Code and the Plan. The Employer may not amend the Plan.
16. The Employer understands and agrees that its participation in the Plan may be terminated by the Employer or by the Board upon sixty (60) days advance written notice. Upon termination, all amounts held for participants will continue to be held in the Fund for the exclusive benefit of participants and their beneficiaries, except for distributions or transfers permitted under the Plan terms.

Name of Employer: _____

By: _____ Title: _____

Date: _____

Accepted by CalPERS (or an agent duly appointed by the Board) on behalf of the Board of Administration of the California Public Employees' Retirement System

Name of Employer: _____

By: _____ Title: _____

Date: _____

LOWER FEES


Effective July 1, 2020

Good news for your future!



The CalPERS 457 Plan is constantly reviewed to ensure that it best serves those currently participating and those who will do so in the future. As part of newly negotiated contracts with our investment manager and plan administrator, CalPERS is pleased to announce that the costs associated with investing in the 457 Plan investment fund options are going down!

Effective July 1, 2020, the costs will be reduced to a range between **0.31% - 0.44%**, depending on the investment, down from a range between 0.40% - 0.55%. This represents an **average overall reduction of more than 0.11%**. These changes will happen automatically. The cost reductions allow all 457 Plan participants to keep more of their investment dollars working in their account, accumulating more savings over time.

 Please see the chart on the next page for cost reductions per investment option.

Background

CalPERS understands that low costs are essential to successful long-term investing for retirement. But lower cost doesn't mean skimping on quality or services. The CalPERS 457 Plan's "all-in" fee structure is simple, fair and includes all administrative, recordkeeping and investment fees. CalPERS will continue to keep close tabs on the industry to assure that our fees remain competitive.

Estimating annual Plan costs

Cost is referred to as an "expense ratio." Expense ratios are expressed as a percentage, but can also be explained in terms of "basis points." 1 basis point ("bps") equals 0.01% (or 0.0001). Whether expressed as a percentage or basis point, the expense ratio represents your cost to participate in the CalPERS 457 Plan. To calculate an estimate of the total cost for a year, multiply the fee for each investment option by the average annual dollar balance in each fund. For example, \$10,000 invested in a fund with an expense ratio of 0.32% would have an estimated total cost for the year of \$32.00 (\$10,000 multiplied by 0.32% or 0.0032 = \$32.00). The annual cost is prorated from your account daily based on your account value.

See the savings at work

The reduced costs in the CalPERS 457 Plan could have a big savings impact because more of the invested dollars stay in your account. Over time, you could have more saved for your retirement.



Assumptions: \$50,000 CalPERS 457 Plan starting balance for a participant with a \$60,000 salary contributing \$100 bi-weekly (26 pay periods per year) into a Target Date Fund with a fee 0.44% and a Target Date Fund with a reduced fee of 0.32%, both earning a 6% annual rate of return.

Do you have questions?

CalPERS Participant Service Representatives are available Monday - Friday, 6:00 a.m. to 5:00 p.m. PT (except stock market holidays) at [860-260-0659](tel:860-260-0659) to assist you with questions, transactions, information about your account or any other general 457 Plan-related needs. For 457 Plan fund fees and performance information, please visit calpers457.com. You can also schedule a one-on-one personal phone appointment with your CalPERS 457 Account Manager by calling [888-713-8244](tel:888-713-8244) or visiting calpers457.timetap.com.

Investment Name	Asset Class	Current Fee	NEW Fee as of July 1, 2020
State Street Short Term Investment Fund	Cash Equivalents	0.45%	0.33%
State Street Real Asset Fund	Real Assets	0.55%	0.44%
State Street U.S. Short-Term Government/Credit Bond Index Fund	Fixed Income	0.45%	0.32%
State Street U.S. Bond Index Fund	Fixed Income	0.40%	0.31%
State Street Russell All Cap Index Fund	Global Equity	0.41%	0.31%
State Street Global All Cap Equity Ex U.S. Index Fund	Global Equity	0.46%	0.32%
CalPERS Target Retirement Income Fund	Asset Allocation	0.42%	0.32%
CalPERS Target Retirement 2015 Fund	Asset Allocation	0.42%	0.32%
CalPERS Target Retirement 2020 Fund	Asset Allocation	0.43%	0.32%
CalPERS Target Retirement 2025 Fund	Asset Allocation	0.43%	0.32%
CalPERS Target Retirement 2030 Fund	Asset Allocation	0.44%	0.32%
CalPERS Target Retirement 2035 Fund	Asset Allocation	0.44%	0.32%
CalPERS Target Retirement 2040 Fund	Asset Allocation	0.44%	0.32%
CalPERS Target Retirement 2045 Fund	Asset Allocation	0.44%	0.32%
CalPERS Target Retirement 2050 Fund	Asset Allocation	0.44%	0.32%
CalPERS Target Retirement 2055 Fund	Asset Allocation	0.44%	0.32%
CalPERS Target Retirement 2060 Fund	Asset Allocation	0.44%	0.32%
Self-Managed Account	Brokerage Option	0.38%	0.29%

CalPERS 457 PLAN

Part I. Performance Information For Periods Ended September 30, 2020

<https://calpers.voya.com>

Table 1 focuses on the performance of investment options that do not have a fixed or stated rate of return. Table 1 shows how these options have performed over time and allows you to compare them with an appropriate benchmark for the same time periods¹. Past performance does not guarantee how the investment option will perform in the future. Your investment in these options could lose money. Information about an investment option's principal risks is available on the website listed above.

Table 1 also shows the Total Annual Operating Expenses of each investment option. Total Annual Operating Expenses are expenses that reduce the rate of return of the investment option². The cumulative effect of fees and expenses can substantially reduce the growth of your retirement savings. Visit the U.S. Department of Labor's website for an example showing the long-term fees and expenses at <http://www.dol.gov/ebsa>. Fees and expenses are only one of many factors to consider when you decide to invest in an option. You may also want to think about whether an investment in a particular option, along with your other investments, will help you achieve your financial goals.

Table 1 - Variable Net Return Investments								
Name of Fund / Name of Benchmark	Performance		Annualized Performance				Total Annual Operating Expenses ³	
	3 Month	1 Year	5 Years	10 Years	Since Inception	Inception Date	As a %	Per \$1000
Equity Funds								
State Street Russell All Cap Index Fund - Class I	9.13	14.49	13.25	-	11.64	10/07/13	0.31%	\$3.10
<i>Russell 3000 Index</i>	9.21	15.00	13.69	-	12.04			
State Street Global All Cap Equity ex-US Index Fund - Class I	6.63	3.55	6.20	-	3.14	10/07/13	0.32%	\$3.20
<i>MSCI ACWI ex-USA IMI Index (net)</i>	6.79	3.51	6.31	-	3.31			
Fixed Income								
State Street US ShortTerm Gov't/Credit Bond Index Fund - Class I	0.13	3.34	1.63	-	1.29	10/07/13	0.32%	\$3.20
<i>Bloomberg Barclays US 1-3 yr Gov't/Credit Bond Index</i>	0.23	3.73	2.09	-	1.78			
State Street US Bond Fund Index - Class I	0.54	6.75	3.84	-	3.69	10/07/13	0.31%	\$3.10
<i>Bloomberg Barclays US Aggregate Bond Index</i>	0.62	6.98	4.18	-	3.99			
Real Assets								
State Street Real Asset Fund - Class A	3.81	-4.16	3.17	-	0.15	10/08/13	0.44%	\$4.40
<i>State Street Custom Benchmark⁴</i>	3.93	-4.43	3.54	-	0.49			
Cash (Cash Equivalents)								
State Street STIF	-0.02	0.73	1.01	-	0.78	09/02/14	0.33%	\$3.30
<i>BofA ML 3-month US T-Bill</i>	0.04	1.10	1.20	-	0.99			
Target Retirement Date Funds⁵								
CalPERS Target Income Fund	2.90	8.30	4.88	4.60	5.57	12/01/08	0.32%	\$3.20
<i>SIP Income Policy Benchmark⁶</i>	2.99	8.16	5.11	4.86	6.11			
CalPERS Target Retirement 2015	3.22	8.58	4.83	5.20	6.68	12/01/08	0.32%	\$3.20
<i>SIP 2015 Policy Benchmark⁶</i>	3.31	8.44	5.05	5.57	7.23			
CalPERS Target Retirement 2020	4.16	9.31	5.23	5.59	7.20	12/01/08	0.32%	\$3.20
<i>SIP 2020 Policy Benchmark⁶</i>	4.26	9.08	5.45	5.96	7.72			
CalPERS Target Retirement 2025	5.05	9.59	6.16	6.24	7.89	12/01/08	0.32%	\$3.20
<i>SIP 2025 Policy Benchmark⁶</i>	5.15	9.34	6.37	6.62	8.39			
CalPERS Target Retirement 2030	5.96	9.41	6.67	6.72	8.54	12/01/08	0.32%	\$3.20
<i>SIP 2030 Policy Benchmark⁶</i>	6.07	9.52	6.96	7.15	9.05			
CalPERS Target Retirement 2035	6.90	9.54	7.33	7.17	9.08	12/01/08	0.32%	\$3.20
<i>SIP 2035 Policy Benchmark⁶</i>	7.01	9.59	7.60	7.64	9.64			
CalPERS Target Retirement 2040	7.49	9.29	8.04	7.55	9.44	12/01/08	0.32%	\$3.20
<i>SIP 2040 Policy Benchmark⁶</i>	7.61	9.40	8.33	8.03	9.98			
CalPERS Target Retirement 2045	7.49	9.29	8.70	7.83	9.65	12/01/08	0.32%	\$3.20
<i>SIP 2045 Policy Benchmark⁶</i>	7.61	9.40	8.98	8.31	10.22			
CalPERS Target Retirement 2050	7.49	9.29	8.70	7.83	9.73	12/01/08	0.32%	\$3.20
<i>SIP 2050 Policy Benchmark⁶</i>	7.61	9.40	8.98	8.31	10.22			
CalPERS Target Retirement 2055	7.49	9.29	8.69	-	6.29	11/01/13	0.32%	\$3.20
<i>SIP 2055 Policy Benchmark⁶</i>	7.61	9.40	8.98	-	6.63			
CalPERS Target Retirement 2060	7.49	9.21	-	-	9.57	11/01/18	0.32%	\$3.20
<i>SIP 2060 Policy Benchmark⁶</i>	7.61	9.40	-	-	9.81			
Broad-Based Benchmarks⁷								
<i>Russell 3000 Index</i>	9.21	15.00	13.69	13.48	-	-	-	-
<i>MSCI ACWI ex-USA IMI Index (net)</i>	6.80	3.51	6.31	4.17	-	-	-	-
<i>Bloomberg Barclays US Aggregate Bond Index</i>	0.62	6.98	4.18	3.64	-	-	-	-

Part II. Explanation of CalPERS 457 Plan Expenses September 30, 2020

<https://calpers.voya.com>

Table 2 provides information concerning Plan administrative fees and expenses that may be charged to your individual account if you take advantage of certain features of the Plan. In addition to the fees and expenses described in Table 2 below, some of the Plan's administrative expenses are paid from the Total Annual Operating Expenses of the Plan's investment options.

Table 2 - Fees and Expenses				
Individual Expenses ⁸				
Service	Fee Amount	Frequency	Who do you pay this fee to?	Description
Loan Origination Fee	\$50	Per loan application	Voya	The charge covers the processing of your loan and applies each time you request a loan from your retirement account. This fee is deducted from your Plan account.
Maintenance Fee (For loans taken on or after April 1, 2020)	\$35 (\$8.75 assessed quarterly)	Annual	Voya	The charge covers the maintenance costs of your loan and applies on a quarterly basis. This fee is deducted from your Plan account.
Self-Managed Account (SMA) Maintenance Fee	\$50	Annual fee deducted monthly on a pro-rata basis	Voya	Schwab Personal Choice Retirement Account is available to you if your Employer has elected it as an option. This fee is deducted pro rata on a monthly basis from your core fund investments ⁹ in your CalPERS 457 account. For more information about SMAs, including a complete list of fees charged by Schwab for different types of investment transactions, please contact Schwab at (888) 393-PCRA (7272). Fees may also be incurred as a result of actual brokerage account trades. Before purchasing or selling any investment through the SMA, you should contact Schwab at (888) 393-PCRA (7272) to inquire about any fees, including any undisclosed fees, associated with the purchase or sale of such investment.
Self-Managed Account (SMA) Plan Administrative Fee	0.29% (\$2.90 per \$1,000)	Annual fee deducted monthly on a pro-rata basis	Voya	The SMA Plan Administrative fee pays for recordkeeping costs for assets in your SMA account. This fee is deducted pro rata on a monthly basis from your core fund investments in your CalPERS 457 account. The SMA Plan Administrative Fee is subject to change based on total Plan assets.

Footnotes for Table 1 and Table 2:

- 1 Fund returns shown are net of investment management and administrative expenses and fees unless otherwise noted. Benchmark performance returns do not reflect any management fees, transaction costs or expenses. Benchmarks are unmanaged. You cannot invest directly in a benchmark.
- 2 Historical annual operating expenses are not available. Reported annual operating expenses are estimated based on SSGA investment management, Voya recordkeeping, and SSGA capped operating expenses.
- 3 Total annual operating expenses are comprised of investment management and administrative expenses and fees incurred by the funds.
- 4 State Street Real Asset Fund has a custom benchmark comprised of 25% Bloomberg Roll Select Commodity Index, 25% S&P® Global LargeMidCap Commodity and Resources Index, 15% Dow Jones U.S. Select REIT Index, 25% Bloomberg Barclays U.S. TIPS Index, and 10% S&P Global Infrastructure Index.
- 5 If the ending market value (EMV) falls to zero in any one month, the inception date resets to the next month with an EMV. Performance is then calculated from the new inception date.
- 6 The benchmark for each Target Retirement Date Fund is a composite of asset class benchmarks that are weighted according to each Fund's policy target weights. The asset class benchmarks are Russell 3000 Index, MSCI ACWI ex-USA IMI Index (net), Bloomberg Barclays US Aggregate Bond Index, the SSGA customized benchmark for Real Assets (see footnote 4), and BofA ML 3-month US T-Bill.
- 7 Broad-based benchmarks grouped here provide comparative performance standards for domestic equity, international equity and fixed income.
- 8 The CalPERS Board of Administration periodically reviews the plan administrative fees and adjusts fees to reflect expenses incurred by the Plan. Participant fees are charged to reimburse CalPERS for actual administrative fees of the Plan.
- 9 Core fund investments are listed in Table 1 above the Target Retirement Date funds. Core funds include: State Street Russell All Cap Index Fund (Class I), State Street Global All Cap Equity ex-US Index Fund (Class I), State Street US Short Term Government/Credit Bond Index Fund (Class I), State Street US Bond Fund Index (Class I), State Street Real Asset Fund (Class A), and State Street Short Term Investment Fund ("STIF").