

**SANTA BARBARA COUNTY  
BOARD AGENDA LETTER**



Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Agenda Number:**  
**Prepared on:** 5/14/02  
**Department Name:** 065  
**Department No.:** Treasurer-Tax Co  
**Agenda Date:** 05/28/02  
**Placement:** Administrative  
**Estimate Time:**  
**Continued Item:** NO  
**If Yes, date from:**

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**TO:** Board of Supervisors  
**FROM:** Gary L. Feramisco  
Treasurer-Tax Collector-PA  
**STAFF CONTACT:** Kay Van Horn  
Extension 2490  
**SUBJECT:** Hartford Deferred Compensation Plan Contract

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**Recommendation(s):**

That the Board of Supervisors:

Authorize the Treasurer-Tax Collector to:

1. Execute the following agreements:

- a) Deferred Compensation Plan Administrative Services Agreements with Hartford Life Insurance Company implementing the County's Deferred Compensation Plan and any other necessary documents.
- b) Amended Administrative Services Agreement adding the Self-Directed Brokerage Account option to the Deferred Compensation Plan and any other necessary documents.

2. Update the Hartford Deferred Compensation Plan documents to conform to the recent Pension Reform legislation.

**Alignment with Board Strategic Plan:**

The recommendation(s) are primarily aligned with our organizational values regarding our workforce, and actions required by law or by routine business necessity.

## **Executive Summary and Discussion:**

Under Government Code Section 53213, the County has established a deferred compensation plan for its officers and employees. Under the plan County officers and employees may defer payment of a portion of their current compensation until retirement, death, unforeseeable emergency or other enumerated events. Participants may direct that their deferred compensation be invested in various investment options. Deferred compensation and gains from investments in the plan are not subject to tax until withdrawn.

Deferred Compensation Plan Contract: On June 19, 2000, the Board authorized the Treasurer-Tax Collector to enter into a contract with Segal Advisors, Inc., of New York, to conduct an evaluation of our current provider, The Hartford, and if recommended by Segal, to enter into a Request for Proposal phase. Following the evaluation, Segal Advisors, Inc. recommended a full scope vendor search. The review of seven proposals began in January of 2001 to obtain the provider with the best overall program, reduced fees, best in class investment options, and state-of-the-art service features.

On February 6, 2001, the Board approved the expanded Deferred Compensation Committee to be modeled after the Health Oversight Committee. By June, 2001, representatives were appointed by each employee organization and the Deferred Compensation Oversight Committee was established to serve during the undertaking of a new plan provider.

The Committee conducted an interview process with three finalists, and Hartford Life Insurance Company was selected to enhance and continue to provide administrative and investment management services to our plan. The County obtained the following key benefits for participants in the plan:

Reduced Fees: Mortality, Expense Risk and Administration fees were reduced from 0.25% and 0.35% to 0.00% annually on all investment options.

Investment Choice: By August 27, 2001, the final investment options were selected for fourteen investment choices including seven new options, three "Lifestyle" investment options targeted for the aggressive, moderate or conservative participant.

Management Services: Hartford Life's local representative, Glenn Saito, will continue to provide education and assistance to groups and individuals. Hartford's On-Line website allows participants access to quarterly account statements, newsletters, current balances, and the ability to transfer account balances.

Self-Directed Brokerage Account (SDBA) for 457 Participants. The Deferred Compensation Oversight Committee on March 4, 2002, voted to add the SDBA. This SDBA will provide participants the opportunity to select and manage investment options from a larger universe of investment alternatives. The SDBA is available through Charles Schwab & Co.'s Personal Choice Retirement Account (PCRA). Participants will be responsible for the ongoing research, trading, and risk management responsibilities associated with their specific investment choices. This new program will become available in June, 2002.

Due to the selection of Hartford Life Insurance Company as the continued provider of services under the Deferred Compensation Plan, and in order to add the Self-Directed Brokerage Account option to the Plan, the execution of the following documents by the Treasurer-Tax Collector is necessary.

Deferred Compensation Plan Contract: The Administrative Services Agreements and Master Group Funding Agreement application continuing the Deferred Compensation Plan with Hartford Life Insurance Company.

Amended Administrative Agreement - Addition of the Self-Directed Brokerage Account Option: The Amendment to the Administrative Services Agreement adding the self-directed brokerage account option.

### Pension Reform

Recent state pension reform legislation will require the amendment of the County's Deferred Compensation Plan Document.

The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001, contains many positive changes effective January 1, 2002. Two omnibus conformity bills received final approval on May 8, 2002, when Governor Davis signed AB 1122 and SB 657. EGTRRA increases deferral limits for the year 2002: the 457 Plan deferral limits will be increased to mirror that of the 401(k) and 403(b) plans to \$11,000; the Catch-Up Provisions will be expanded to \$22,000, a new provision will allow individuals age 50+ to make additional contributions to their 457 plan, and rollover of funds to and from 401(k), 403(b), governmental 457 and IRA plans will be allowed. The County's current Plan Document will need to be amended to conform to the provisions of AB 1122 and SB 657 and to include the terms and conditions of the amended Deferred Compensation Plan and the newly added Self-Directed Brokerage Account Option. After the Plan Document has been reviewed and approved by County Counsel, we will return to file the amended plan documents with the Board in June, 2002.

### **Mandates and Service Levels:**

There are no changes in mandates or service levels

### **Fiscal and Facilities Impacts:**

None

### **Special Instructions:**

Send a copy of the Minute Order to: Kay Van Horn, Treasurer-Tax Collector Department

### **Concurrence:**

County Counsel  
Deferred Compensation Oversight Committee

