PURCHASING DEPARTMENT
County Of Hidalgo

MEMORANDUM

Immediate Review Required and Recommended

To: All Members of Hidalgo County Commissioners Court
Attn: Administrative/Executive Assistants and/or Chiefs of Staffs

All Via Facsimile Transmittals & Hand Delivery

From: Martha L. Salazar, CPPB
Hidalgo County Purchasing Agent

Date: September 7, 2007

Re: Status of Hidalgo County's- 457 Deferred Compensation Plan Provider-Nationwide Trust Company

Enclosed for your review is a copy of a "Memorandum" sent to all member of the Court back on January 25, and February 16 of 2007. It is imperative that decisions in connection with Hidalgo County's 457 Deferred Compensation Program be made in order to comply with deadlines detailed below:

A. Hidalgo County solicited Requests of Proposals in 2004. The project was handled through a contracted consultant, William "Bill" Rusteberg of Insurance Advisory Group. The County attracted five vendors and awarded to Nationwide Trust Company on 3-8-04 and elected to use the mutual fund approach; The term of the project was an initial one (1) year term with two (2) additional one (1) year extensions;

B. After many months of drafting, reviewing, modifying and correcting, Hidalgo County Commissioners Court approved the final "Prototype Plan Agreement" with Nationwide Trust Company on 11-1-04. Thereafter the local record keeper's representative, Walter Reyna, of Reyna Financial began enrollments of County employees on July 1, 2005;

C. Therefore, the current agreement with Nationwide Trust company will expire on 11-1-07 (the effective date of the plan agreement); Hidalgo County's 457 Deferred Compensation Plan/Program currently has 335 participants (as per information received on 1-24-07 from Reyna Financial);

D. Hidalgo County Commissioners Court needs to decide a couple of issues before proceeding to advertise the project again;
   1) Decide whether Hidalgo County wishes to permit multiple record keepers and thus providing participants with more choices in their deferred compensation plan; or,
   2) Decide to continue with only one (1) record keeper as currently is the case;
   3) **Read the information received via e-mail (dated 1-11-07) from your current consultant so as to make a determination whether the Court desires to change from the current mutual fund approach or elect to change to an annuity philosophy;**

E. Hidalgo County may elect to utilize it's membership/participation through cooperative purchasing programs and/or associations (i.e. National Association of Counties' (NaCo) awarded vendors for 457 Deferred Compensation Plan providers and thus comply with bidding requirements and eliminate the necessity to advertise the project.

If you require any further information or assistance regarding this matter, please do not hesitate to call me at (956) 292-7611.

Enclosures

cc: Hon. Norma G. Garcia, Hidalgo County Treasurer
Valde Guerra, Hidalgo County Budget Officer & Director of Risk Management

Martha Salazar

From: Martha Rusteberg [mrusteberg@sbcglobal.net]
Sent: Wednesday, February 21, 2007 8:32 AM
To: Marti Salazar
Subject: RE: 457

Marti,

Did you receive this e-mail from Friday?

Thanks,

Martha Rusteberg
1010 E. Tyler
Harlingen, TX 78550
mrusteberg@sbcglobal.net
Phone: 956.425.8437
Fax: 956.425.6502

-----Original Message-----
From: Martha Rusteberg [mailto:mrusteberg@sbcglobal.net]
Sent: Friday, February 16, 2007 4:15 PM
To: Marti Salazar (martha.salazar@co.hidalgo.tx.us)
Subject: FW: 457

Marti,

This e-mail is from Anthony Reyna regarding your questions you had about terminating the Administrator of the 457.

Thanks,

Martha Rusteberg
1010 E. Tyler
Harlingen, TX 78550
mrusteberg@sbcglobal.net
Phone: 956.425.8437
Fax: 956.425.6502

-----Original Message-----
From: anthony [mailto:anthony@walterreyna.com]
Sent: Friday, February 16, 2007 11:13 AM
To: mrusteberg@sbcglobal.net
Subject: 457

One cannot just simply "terminate" the plan with Nationwide. Without a receiving custodian to transfer assets to, it could be that telling Nationwide to just terminate would result in checks being sent out to all participants. End result here would be each person paying taxes and a 10% penalty on the money.

A receiving custodian needs to be in place and ready to receive the assets in order to terminate the plan with nationwide.

J. Anthony Reyna
956-682-4196 ph
956-682-4931 fax
www.walterreyna.com

Cris Villarreal

From: Bill Rusteberg [riskmanager@sbcglobal.net]
Sent: Thursday, September 06, 2007 4:01 PM
To: cris.villarreal@co.hidalgo.tx.us
Subject: FW: 457 Plan

Is this what you were looking for?

From: Bill Rusteberg [mailto:riskmanager@sbcglobal.net]
Sent: Thursday, September 06, 2007 3:58 PM
To: riskmanager@sbcglobal.net
Subject: FW: 457 Plan

From: Bill Rusteberg [mailto:riskmanager@sbcglobal.net]
Sent: Thursday, January 11, 2007 10:21 AM
To: martha.salazar@co.hidalgo.tx.us
Subject: 457 Plan

Marty, as you may recall, Commissioners Court approved a 457 plan in spring of 2004 as a result of a formal Request for Proposal process. At the time, I remember cautioning the Commissioners that a 457 supplemental retirement plan is a long term program designed to supplement the TCDRS plan and not something to bid out routinely. Many political subdivisons here locally which have a 457 plan historically do not bid out the record keeping portion of the program on a regular basis.

Investiments within a 457 plan, irregardless of the recordkeeper, can be through the same vehicles. For example, purchasing Verizon stock can be accomplished through any recordkeeper.

When I made my recommendations to Commissioners Court, I advised them that there are basically two philosophies on investments to be considered: an annuity based platform or mutual funds/stocks and bonds.

An annuity based platform has certain advantages, however investing in a tax favored annuity in a tax favored 457 plan is much like wearing a raincoat while taking a shower. In additon, fees associated with annuities can be significantly higher than fees charged by the recordkeeper in mutual funds.

Commissioners Court elected to take the mutual fund approach to investing. The current asset value of your program is approx. $550,000 of which the current recordkeeper (Reyna) is charging an average of 93 basis points (about $4,500 per year). On the other hand, if one were to "re-enroll your 457 plan and move the monies to an annuity based platform, fees could be as high as 12% or more, or $60,000 hit to the investment funds. In additon to the fees, penality withdrawal charges could be significant for up to 10 years, depending on the contract language of the annuity contract.

While it is not uncommon for a political subdivison to have more than one record keeper, many utilize only one.

Marty, I would be please to meet with the County Judge to give him a brief overview of the plan and answer any questions he may have.

NACo

Deferred Compensation Program
Introduction

Frequently Asked Questions

The National Association of Counties (NACo), in partnership with Nationwide Retirement Solutions (NRS), and state associations of counties, provides county employees with a Section 457 Deferred Compensation Program. Since its inception in 1980, NACo's Deferred Compensation Program has grown to become the largest supplemental retirement income program available to county employees. More than 360,000 county employees from over 1,900 counties currently participate in the Program, with accumulated assets of more than $8.0 billion.

The NACo Deferred Compensation Program offers county employees a way to augment retirement savings while postponing the payment of federal, and in many cases, state income taxes. The NACo Deferred Compensation Program allows county employees the opportunity to voluntarily contribute a portion of their wages to a special account and to direct these contributions to one or more investment options. Thus, the Program offers county employees a valuable savings alternative that can be used to supplement their retirement income. The Program also provides county governments an additional benefit option to offer to their employees.

Employee Benefits

- Helps public employees save for their future at no cost to their employer.
- Enables public employees to reduce current taxes.
- Institutes a systematic savings program for public employees.
- Automatic contribution deductions make it easy for employees to save.
- Contributions grow on a tax-deferred basis.
- Employees are 100% vested in their accounts.

Employer Benefits

- Helps employers to recruit and retain high-caliber personnel.
- Usually less expensive to maintain than defined benefit plans.
- Employer contributions are not subject to Federal Insurance Contributions Act (FICA).
- Flexibility in program design.

For more information on NACo's Deferred Compensation Program, contact:

Lisa Cole
Director, NACo Financial Services Corporation
202.942.4270
lcole@naco.org

Related Documents