



Board Report 20-07

Date: February 18, 2020
To: Board of Deferred Compensation Administration
From: Staff
Subject: Quarterly Reimbursements Q3 2019

Board of Deferred Compensation Administration

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Recommendation:

That the Board of Deferred Compensation (Board) approve reimbursements from the Deferred Compensation Plan (DCP) Reserve Fund to the Personnel Department for **\$154,833.03** and City Attorney for **\$30,163.42** for the quarter ending September 30, 2019.

Discussion:

A. Quarterly Staffing Cost Reimbursements – Quarter Ending September 30, 2019

Staff recommends reimbursement from the DCP Reserve Fund to the Personnel Department for **\$154,833.03** and City Attorney for **\$30,163.42** for the quarter ending September 30, 2019. Quarterly activity in the DCP's revenue/expenditure accounts is included in **Attachment A**. Calculations for the current quarter include salaries for all positions presently servicing the DCP, including direct salary and indirect costs as calculated according to the City Controller's Special Rates for Indirect Cost Centers ("Special Rates"). These rates are subject to revision by the City Controller. For the quarter ending September 30, 2019, staff is using Special Rates (41) for FY 2018-19. The Special Rates (41) indicate that indirect cost reimbursement percentages for the Personnel Department and City Attorney are presently **99.39%** and **87.45%**, respectively.

B. Reserve Fund Projection

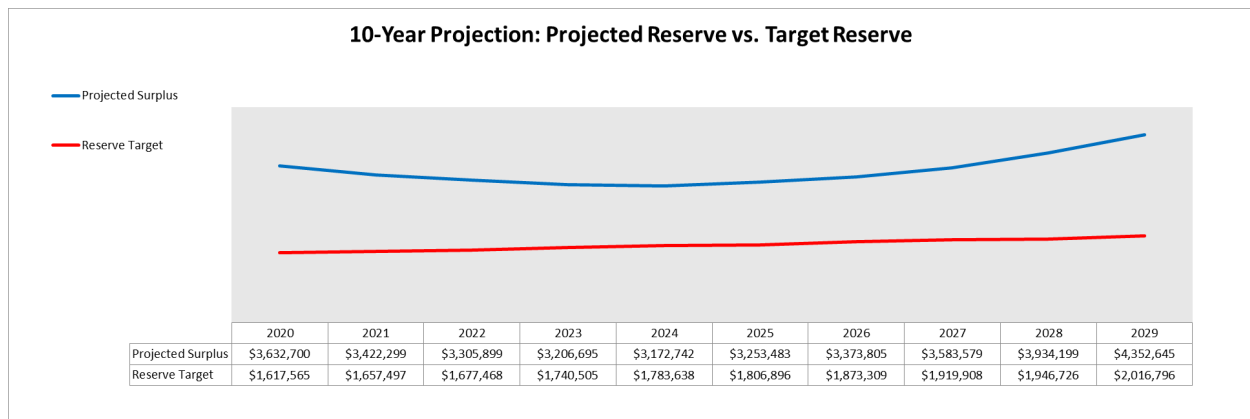
Pursuant to Los Angeles Administrative Code Division 4, Chapter 14, all of the City's internal administrative costs are required to be paid by participant fees. Two accounts are used to pay expenses: (1) an account held with the Third-Party Administrator (TPA), which acts as a repository for participant fees and from which most DCP expenses are paid; and (2) an account held within the City (Fund 896), from which travel and equipment purchases are made. Together, these two accounts comprise the DCP Reserve Fund.

To maintain stability within the DCP Reserve Fund and participant fees, the Board has established a target reserve amount of 50% of annual DCP operating expenses. Each quarter, when staff submits its accounting and recommendations for reimbursing administrative costs, a long-term projection is updated using assumptions for key variables that have been considered by the Board. This information is generated so that the Board can compare the long-term projected reserve to the target reserve.

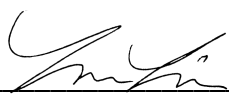
The Board last reviewed and approved long-term assumptions for DCP revenues/expenditures at its February 19, 2019 meeting, following a resource review and recommendations submitted by the DCP Plan Governance & Administrative Issues Committee (Committee). The Board is separately considering recommendations from the Committee pursuant to its November 26, 2019, resource review in Board Report 20-05. The current key variables used in long-term projections are summarized below:

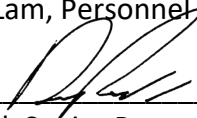
<i>Expenses Inflation Adjustment Factor</i>	<i>Enrollment Adjustment Factor</i>	<i>Asset Growth Adjustment Factor</i>	<i>Stable Value Funds Interest Assumption</i>	<i>Basis Points Charged Against Participant Accounts</i>	<i>Fee Cap</i>	<i>Personnel Avg. Special Rate</i>	<i>City Attorney Avg. Special Rate</i>
2.0%	3.0%	7%	2.0%	0.09%	\$115	115.0%	115.0%


With each quarterly review, staff provides a ten-year projection of the Reserve Fund balance. Following is the rolling ten-year forecast of the DCP’s Reserve Fund balance updated with data as of September 30, 2019.



As indicated in the chart above, the reserve fund is projected to be above the target over the entire ten-year period. The lowest projected amount above the is approximately **\$3.17 million** in 2020, increasing to approximately **\$4.35 million** in 2029.

Submitted by: 
Mindy Lam, Personnel Analyst

Reviewed by: 
Daniel Powell, Senior Personnel Analyst I

Reviewed by: 
Jenny M. Yau, Senior Management Analyst II

Approved by: 
Steven Montagna, Chief Personnel Analyst

DEFERRED COMPENSATION PLAN QUARTERLY REVIEW OF REVENUES & EXPENSES

	Pending	Adopted	Adopted	Pending
	Ending	Ending	Ending	Ending
	9/30/2019	6/30/2019	3/31/2019	12/31/2018
STARTING BALANCE				
City Fund 896 Starting Balance	\$ 34,810	\$ 446,654	\$ 44,425	\$ 57,869
TPA Fund Starting Balance	\$ 3,916,788	\$ 3,801,532	\$ 3,923,478	\$ 3,618,423
Total	\$ 3,951,597.86	\$ 4,248,186.10	\$ 3,967,902.95	\$ 3,676,292.22

REVENUES				
Interest Earnings on Fund 896	\$ 707	\$ 196	\$ 173	\$ 131
Fund 896 Deposit: Salary Reimbursements	\$ 388,107	\$ -	\$ 409,670	\$ -
Fund 896 Deposit: Other	\$ 100,000	\$ -	\$ -	\$ -
Miscellaneous Credits to Fund 896	\$ -	\$ 1,048	\$ 167	\$ 15
Interest Earnings on TPA Fund	\$ 26,922	\$ 26,184	\$ 24,872	\$ 24,829
Revenue from Fees Deducted from Participant Accounts	\$ 686,921	\$ 676,989	\$ 651,631	\$ 674,759
Miscellaneous Credits to TPA Fund	\$ -	\$ -	\$ -	\$ 131
Total Revenue/Fees	\$ 1,202,656.76	\$ 704,416.50	\$ 1,086,512.97	\$ 699,864.88

TOTAL ASSETS (STARTING BALANCE + REVENUE/FEEES)	\$ 5,154,254.62	\$ 4,952,602.60	\$ 5,054,415.92	\$ 4,376,157.10
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EXPENDITURES				
2130 Travel/Training/Education	\$ (8,165)	\$ (2,659)	\$ (5,950)	\$ (13,591)
6010 Office and Administrative: Reimb Staff Support	\$ (388,107)	\$ (409,670)	\$ -	\$ -
6010 Office and Administrative: Other	\$ (4,493)	\$ (1,258)	\$ (1,831)	\$ -
Contractual Fees Paid to TPA	\$ (390,869)	\$ (386,485)	\$ (382,485)	\$ (379,149)
Transfer to Fund 896: Salary Reimbursements	\$ (187,523)	\$ (200,583)	\$ (409,670)	\$ -
Transfer to Fund 896: Other	\$ (100,000)	\$ -	\$ -	\$ (600)
Consulting Costs	\$ -	\$ -	\$ (6,294)	\$ (12,939)
Communications	\$ (865)	\$ (848)	\$ -	\$ (1,976)
Training/Education/Travel Paid by TPA	\$ -	\$ -	\$ -	\$ (600)
Elections Administration	\$ -	\$ -	\$ -	\$ -
TOTAL EXPENDITURES	\$ (1,080,022.46)	\$ (1,001,503.08)	\$ (806,229.82)	\$ (408,254.15)
City Fund 896 Ending Balance	\$ 122,859	\$ 34,312	\$ 446,654	\$ 44,425
TPA Fund Ending Balance	\$ 3,951,373.34	\$ 3,916,787.82	\$ 3,801,531.93	\$ 3,923,478.35
ACTUAL TOTAL ENDING BALANCE	\$ 4,074,232.16	\$ 3,951,099.52	\$ 4,248,186.10	\$ 3,967,902.95
ENCUMBRANCES/LIABILITIES				
Outstanding Reimbursements from Prior Quarter(s)	\$ (0.00)	\$ (194,752.13)	\$ (409,670.31)	\$ (219,947.37)
Current Quarter Personnel Direct/Indirect Costs	\$ (154,833.03)	\$ (151,180.71)	\$ (170,535.46)	\$ (159,226)
Current Quarter City Attorney Direct/Indirect Costs	\$ (30,163.42)	\$ (36,342.60)	\$ (30,047.99)	\$ (30,497)
Net Ending Balance Owed	\$ (184,996.46)	\$ (388,106.76)	\$ (604,422.45)	\$ (409,670.31)
Funds in Transit from TPA Fund to City Fund 896		\$ 200,583		
TOTAL ENDING BALANCE LESS LIABILITIES	\$ 3,889,235.70	\$ 3,729,265	\$ 3,643,763.65	\$ 3,558,232.64

Summary of Salary Reimbursement for Current Quarter	
Personnel Direct Costs	\$ 77,653.36
Personnel Indirect Costs @ 99.39%	\$ 77,179.67
Quarterly Personnel Direct/Indirect Costs Subtotal	\$ 154,833.03
City Attorney Direct Costs	\$ 16,091.45
City Attorney Indirect Costs @ 87.45%	\$ 14,071.97
Quarterly City Attorney Direct/Indirect Costs Subtotal	\$ 30,163.42
Adjustments	\$ -

Legend

City Fund 896
TPA Reserve Fund