



Board Report 23-19

Date: May 16, 2023
To: Board of Deferred Compensation Administration
From: Staff
Subject: Quarterly Staffing Reimbursements – First Quarter 2023

Board of Deferred Compensation Administration
Thomas Moutes <i>Chair</i>
Neil Guglielmo <i>Vice-Chair</i>
Robert Schoonover <i>First Provisional Chair</i>
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LAFPP Representative, Vacant

Recommendation:

That the Board approve reimbursements from the Deferred Compensation Plan (DCP) Reserve Fund to the Personnel Department in the amount of **\$9,845.59** and to the City Attorney in the amount of **\$25,524.80** totaling **\$35,370.39** for staff providing direct support of the DCP during the quarter ending March 31, 2023.

Discussion:

A. Quarterly Staffing Reimbursements – First Quarter 2023

The proposed reimbursements identified in this report include the total staffing costs (direct and indirect – net method¹) of Personnel Department and City Attorney positions providing direct support for the DCP during the quarter beginning January 1, 2023 and ending March 31, 2023 as follows:

¹ Staff uses two methods for reimbursement of staffing costs. The gross method is used for employees charging 100% of their time to the DCP. Funding for positions fully dedicated to the DCP was realigned from the General Fund to the DCP Trust Fund effective July 1, 2021 (Board Report [21-58](#)) and accordingly accounting and funding reconciliation for these positions is now administered internally between DCP staff and the Personnel Department's Accounting section (Board approval of reimbursements for these fully-dedicated positions is no longer required). The net method is used for employees who do not charge 100% of their time to the DCP, and is billed on a quarterly basis. The distinction between the two is that a Compensated Time Off (CTO) rate, which accounts for non-working hours such as sick and vacation time, is applied to the net method but not applied to the gross method (since compensated time such as vacation and sick time are already captured in gross salary). The gross method is used to reimburse the full-time Personnel Department staff fully dedicated and 100% supporting the DCP (one Sr. Personnel Analyst II; two Benefits Analysts; one Benefits Specialist). The net method is used to reimburse full-time Personnel Department staff (one Chief Management Analyst) and City Attorney staff who are partially dedicated to the DCP.

Summary of Staffing Cost Reimbursements for First Quarter 2023 (January 1, 2023 - March 31, 2023)	
Personnel Department Direct Costs Net Method	\$ 4,995.48
Personnel Department Indirect Costs Net Method @ 97.09%	\$ 4,850.11
Total Reimbursement to Personnel Department	\$ 9,845.59
City Attorney Direct Costs Net Method	\$ 14,081.87
City Attorney Indirect Costs Net Method @ 81.26%	\$ 11,442.93
Total Reimbursement to City Attorney	\$ 25,524.80
TOTAL PERSONNEL DEPARTMENT AND CITY ATTORNEY REIMBURSEMENTS	\$ 35,370.39

The proposed reimbursements for the First Quarter 2023 included in this report reflect reimbursements for staff partially dedicated to the DCP as follows:

- Personnel Department – One Chief Management Analyst. Upon filling the DC Plan Manager position, reimbursement of this partially dedicated position will be eliminated.
- City Attorney – Deputy City Attorney and Legal Assistant partially dedicated to the DCP.

The calculation for salary reimbursements in this report for Personnel Department and City Attorney staff partially dedicated to the DCP includes direct costs (actual salary costs for all positions presently supporting the DCP) and indirect costs as calculated according to the City Controller Special Rates for Indirect Cost Centers (Special Rates). These Special Rates are established on a fiscal year basis. Unique rates are identified by department categories. The most recently published rate is Special Rates 44 for Fiscal Year (FY) 2021-22, which identifies staffing cost reimbursement percentages for the Personnel Department of **80.18%** for gross method reimbursement and **97.09%** for net method reimbursement; the staffing reimbursement percentage for the City Attorney is **81.26%** for net method reimbursement.

Calculation details of the First Quarter 2023 salary cost reimbursements including quarterly activity in the DCP’s revenue and expenditure accounts are provided in **Attachment A**.

B. Reserve Fund Projection

Pursuant to Los Angeles Administrative Code Division 4, Chapter 14, all DCP 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 Fund), 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 office and administrative expenses, travel, and equipment purchases are made. Together, these two accounts comprise the DCP Reserve Fund.

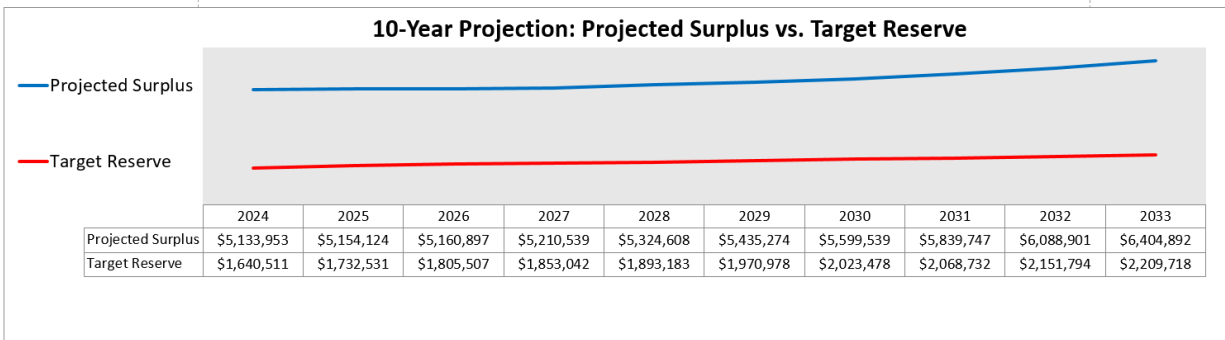
To maintain stability within the DCP Reserve Fund and participant fees, the Board has established a target Reserve Fund balance of 50% of annual DCP operating expenses. Each quarter, when staff submits its accounting and recommendations for reimbursing administrative costs, a long-term projection is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

The Board last reviewed and approved long-term assumptions for DCP revenues and expenditures at its September 29, 2022 meeting, following a fee review and recommendations submitted by the DCP Plan Governance and Administrative Issues Committee. 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>
3.0%	3.0%	5.5%	2.0%	0.09%	\$115	91.0%	93.0%

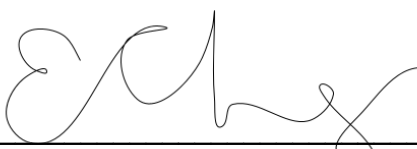
With each quarterly review, staff provides a ten-year projection of the DCP Reserve Fund balance. Fluctuations in overall DCP assets can have a significant impact on projections of future Reserve Fund balances.

Following is the rolling ten-year forecast of the DCP Reserve Fund balance updated with data as of March 31, 2023. As indicated in the chart, the Reserve Fund balance is projected to be above the target reserve over the entire ten-year period. The lowest projected surplus amount above the target Reserve Fund balance is approximately **\$5.13 million** in 2024, increasing to approximately **\$6.40 million** in 2033. The lowest difference between the projected surplus and the target Reserve Fund balance is approximately **\$3.36 million** in 2026, increasing to approximately **\$4.20 million** in 2033.



At its meeting on September 29, 2022, the Board postponed options for addressing the long-term projected surplus until completion of its next resource review, scheduled for mid-year 2023.

Submitted by: 
 Mindy Lam, Benefits Analyst

Reviewed by: 
 Esther Chang, Senior Personnel Analyst II

DEFERRED COMPENSATION PLAN QUARTERLY REVIEW OF REVENUES & EXPENSES				
	Pending	Adopted	Adopted	Adopted
REVENUE & EXPENSE LINE ITEMS	Ending	Ending	Ending	Ending
	3/31/2023	12/31/2022	9/30/2022	6/30/2022
STARTING BALANCE				
City Fund 896 Starting Balance	\$ 108,538.33	\$ 202,256.14	\$ 94,016.62	\$ 93,630.24
TPA Fund Starting Balance	\$ 5,149,219.94	\$ 4,898,279.68	\$ 4,615,921.16	\$ 4,804,839.16
Total Starting Balance	\$ 5,257,758.27	\$ 5,100,535.82	\$ 4,709,937.78	\$ 4,898,469.40

REVENUES				
Interest Earnings on Fund 896	\$ 378.68	\$ 555.86	\$ 257.97	\$ 291.45
Miscellaneous Credits To Fund 896	\$ 15.00	\$ -	\$ 15.00	\$ 94.93
Interest/Earnings on TPA Fund	\$ 35,763.43	\$ 28,526.55	\$ 24,365.51	\$ 21,427.26
Revenue from Fees Deducted from Participant Accounts	\$ 766,718.27	\$ 749,235.66	\$ 756,486.97	\$ 786,527.24
Miscellaneous Credits to TPA Fund	\$ 7,132.33	\$ -	\$ 24,747.80	\$ -
Total Revenue/Fees	\$ 810,007.71	\$ 778,318.07	\$ 805,873.25	\$ 808,340.88

TOTAL ASSETS (STARTING BALANCE + REVENUE/FEES)	\$ 6,067,765.98	\$ 5,878,853.89	\$ 5,515,811.03	\$ 5,706,810.28
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EXPENDITURES				
2120 Printing and Binding (Communications)	\$ (1,357.58)	\$ (3,269.40)	\$ -	\$ -
2130 Travel/Training/Education ¹	\$ 1,800.00	\$ (5,618.04)	\$ (3,026.20)	\$ -
6010 Consulting Costs	\$ -	\$ -	\$ -	\$ -
6010 Office and Administrative: Reimb Staff Support	\$ (72,917.80)	\$ (140,371.36)	\$ -	\$ (472,623.43)
6010 Office and Administrative: Other	\$ (1,000.00)	\$ -	\$ (8,980.56)	\$ -
Contractual Fees Paid to TPA ²	\$ (28.75)	\$ (418,260.77)	\$ (418,532.75)	\$ (417,820.75)
Consulting Costs	\$ (1,308.11)	\$ (20,589.38)	\$ (95.20)	\$ (9,656.79)
Communications	\$ -	\$ (2,500.00)	\$ (2,500.00)	\$ -
Training/Education/Travel Paid by TPA	\$ -	\$ (600.00)	\$ (2,200.00)	\$ -
Elections Administration	\$ -	\$ -	\$ -	\$ -
Office and Administrative Expenses	\$ -	\$ -	\$ -	\$ (98.50)
Reimb Voya for Staff Support (DCP Intern)	\$ (5,170.80)	\$ (11,954.00)	\$ (10,341.60)	\$ (11,286.80)
TOTAL EXPENDITURES	\$ (79,983.04)	\$ (603,162.95)	\$ (445,676.31)	\$ (911,486.27)

¹ Travel/Training/Education Expenditure reflects a positive amount in Q1-2023 for refunds received

² Fees owed to the TPA are included below in Encumbrances/Liabilities.

INTER-FUND TRANSFERS				
Transfer to Fund 896: Salary Reimbursements	\$ -	\$ (72,917.80)	\$ (89,572.21)	\$ (558,009.66)
Transfer to Fund 896: Other	\$ -	\$ -	\$ -	\$ -
Fund 896 Deposit: Salary Reimbursements	\$ 72,917.80	\$ 54,985.13	\$ 119,973.31	\$ 472,623.43
Fund 896 Deposit: Other	\$ -	\$ -	\$ -	\$ -
TOTAL INTER-FUND TRANSFERS	\$ 72,917.80	\$ (17,932.67)	\$ 30,401.10	\$ (85,386.23)

TOTAL ENDING BALANCE (ASSETS + EXPENDITURES + INTER-FUND TRANSFERS)	\$ 6,060,700.74	\$ 5,257,758.27	\$ 5,100,535.82	\$ 4,709,937.78
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REPORTED ENDING BALANCE				
Actual City Fund 896 Ending Balance	\$ 108,374.43	\$ 108,538.33	\$ 202,256.14	\$ 94,016.62
Actual TPA Fund Ending Balance	\$ 5,952,326.31	\$ 5,149,219.94	\$ 4,898,279.68	\$ 4,615,921.16
ACTUAL TOTAL ENDING BALANCE	\$ 6,060,700.74	\$ 5,257,758.27	\$ 5,100,535.82	\$ 4,709,937.78

ENCUMBRANCES/LIABILITIES				
Outstanding Quarterly Reimbursements from Prior Quarter(s) & Encumbrances	\$ (442,316.87)	\$ (72,917.80)	\$ (140,371.36)	\$ (85,386.23)
Outstanding Annual Reimbursements from Prior Quarter(s)	\$ (318,406.58)	\$ (121,639.01)	\$ (34,587.08)	\$ -
Personnel and City Attorney Direct/Indirect Costs (Net Method) Billed Quarterly	\$ (35,370.39)	\$ (47,561.87)	\$ (72,917.80)	\$ (54,985.13)
Personnel Department Direct/Indirect Costs (Gross Method) Billed FY End	\$ (206,594.30)	\$ (196,767.57)	\$ (121,639.01)	\$ (34,587.08)
TOTAL ENCUMBRANCES/LIABILITIES	\$ (1,002,688.14)	\$ (438,886.25)	\$ (369,515.26)	\$ (174,958.44)

*Outstanding Quarterly Reimbursements from Prior Quarter(s) & Encumbrances: For period ending 3/31/2023, includes fees to TPA for Q4 2022 of \$394,755.

* Personnel Department Direct/Indirect Costs (Gross Method) Billed FY End: For period ending 12/31/2022, correction made from \$163,072.85 as reported in Board Report 23-10 to \$196,767.57 to correct Personnel Department Indirect Costs calculation.

TOTAL ENDING BALANCE LESS LIABILITIES	\$ 5,058,012.60	\$ 4,852,566.74	\$ 4,731,020.56	\$ 4,534,979.34
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Legend
City Fund 896
TPA Reserve Fund

Summary of Staffing Cost Reimbursements for Partially Dedicated Staff, Billed Quarterly				
	Quarter Ending 3/31/23	Quarter Ending 12/31/22	Quarter Ending 9/30/22	Total FY 2022-23
Personnel Department Direct Salary Costs Net Method	\$ 4,995.48	\$ 14,824.88	\$ 23,870.10	\$ 43,690.46
Personnel Department Indirect Costs (Net Method @ 97.09%)	\$ 4,850.11	\$ 14,393.48	\$ 23,175.48	\$ 42,419.07
Total Reimbursement to Personnel Department	\$ 9,845.59	\$ 29,218.36	\$ 47,045.58	\$ 86,109.53
City Attorney Direct Salary Costs Net Method	\$ 14,081.87	\$ 10,120.00	\$ 14,273.54	\$ 38,475.41
City Attorney Indirect Costs (Net Method @ 81.26%)	\$ 11,442.93	\$ 8,223.51	\$ 11,598.68	\$ 31,265.12
Total Reimbursement to City Attorney	\$ 25,524.80	\$ 18,343.51	\$ 25,872.22	\$ 69,740.53
TOTAL PERSONNEL DEPARTMENT AND CITY ATTORNEY REIMBURSEMENTS	\$ 35,370.39	\$ 47,561.87	\$ 72,917.80	\$ 155,850.06

Estimated Summary of Staffing Cost Reimbursements for Full-Time Staff, Billed FY23 Year End				
	Quarter Ending 3/31/23	Quarter Ending 12/31/22	Quarter Ending 9/30/22	Total FY 2022-23
Personnel Department Direct Salary Costs Gross Method	\$ 114,659.95	\$ 109,206.11	\$ 67,509.72	\$ 291,375.78
Personnel Department Indirect Costs (Gross Method @ 80.18%)	\$ 91,934.35	\$ 87,561.46	\$ 54,129.29	\$ 233,625.10
TOTAL PERSONNEL DEPARTMENT REIMBURSEMENTS	\$ 206,594.30	\$ 196,767.57	\$ 121,639.01	\$ 525,000.88

* For indirect costs, CAP 44 (Fiscal Year 2021-22) is utilized.

** Partially Dedicated Staff - Personnel Department*

(1) Chief Management Analyst (10% of time); to be removed upon hire of full-time DC Plan Manager.

(1) Sr. Benefits Analyst II (40% of time); included through quarter ending December 2022 after hire of full-time Sr. Benefits Analyst II.

** Partially Dedicated Staff - City Attorney*

(1) Deputy City Attorney IV (25% of time).

(1) Legal Assistant (40% of time).

** Full-Time Staff, 100% Dedicated*

(1) Sr. Benefits Analyst II; was filled effective November 7, 2022.

(2) Benefits Analyst

(1) Benefits Specialist

* Two methods are used for reimbursement of staffing costs. The **gross method** is used for employees charging 100% of their time to the DCP, which costs are reimbursed to the Personnel Department at fiscal year end. Funding for positions fully dedicated to the DCP was realigned from the General Fund to the DCP Trust Fund effective July 1, 2021 (Board Report 21-58) and accordingly accounting and funding reconciliation for these positions is now administered internally between DCP staff and the Personnel Department's Accounting section (Board approval of reimbursements for these fully-dedicated positions is no longer required). The **net method** is used for employees who do not charge 100% of their time to the DCP, which costs are reimbursed on a quarterly basis. The distinction between the two is that a Compensated Time Off (CTO) rate, which accounts for non-working hours such as sick and vacation time, is applied to the net method but not applied to the gross method (since compensated time such as vacation and sick time are already captured in gross salary).