



CITY OF *Los Angeles* DEFERRED COMPENSATION PLAN

BOARD REPORT 18-26

Date: May 15, 2018

To: Board of Deferred Compensation Administration

From: Staff

Subject: Plan Reimbursements First Quarter 2018

Board of Deferred Compensation Administration

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Recommendation:

That the Board of Deferred Compensation approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$149,674.75** and City Attorney for **\$23,375.36** for the quarter ending 03/31/18.

Discussion:

A. Quarterly Staffing Cost Reimbursements – Quarter Ending 03/31/18

Staff recommends reimbursement from the Deferred Compensation Plan Reserve Fund to the Personnel Department for **\$149,674.75** and City Attorney for **\$23,375.36** for the quarter ending 03/31/18. Quarterly activity in the Plan's revenue/expenditure accounts is included in **Attachment A**. Calculations for the current quarter include salaries for all positions presently servicing the Plan, including direct salary and indirect costs as calculated in the City Controller's Special Rates for Indirect Cost Centers ("Special Rates"). These rates are subject to revision by the City Controller. Special Rates (40) for FY 17/18 indicate indirect cost reimbursement percentages for the Personnel Department and City Attorney as 102.34% and 104.67%, 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: a fund held with the Plan administrator which acts as a repository for participant fees and from which most Plan expenses are paid; and a fund held within the City used for certain internal Plan costs such as travel.

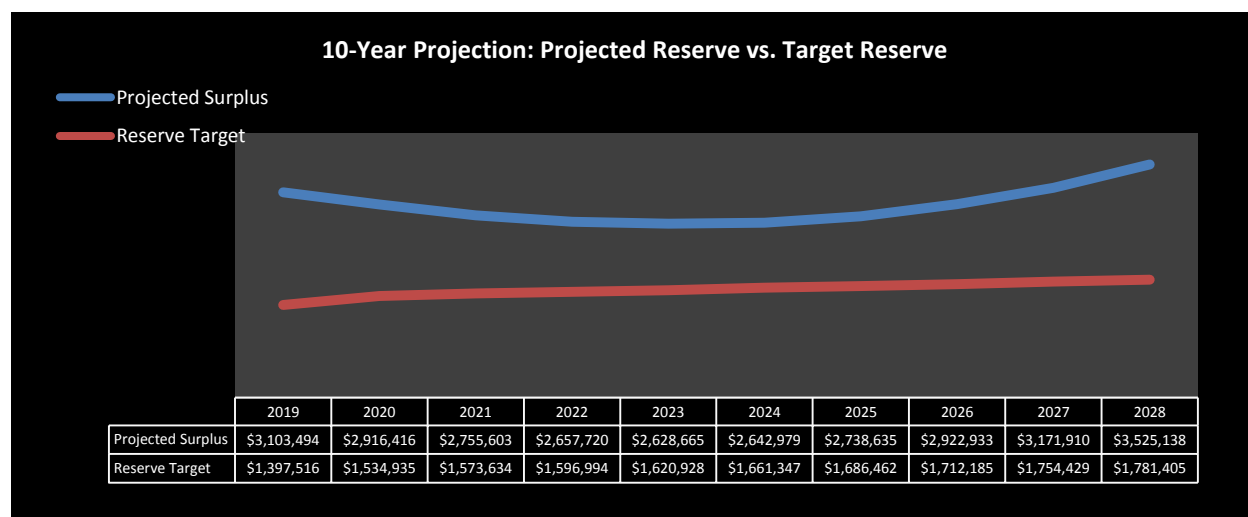
In order to maintain stability within the fee structure, the Plan maintains a reserve balance. The target reserve amount is 50% of annual Plan operating expenses. Each quarter when staff

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 long-term assumptions for Plan revenues/expenditures at its April 2017 meeting. At its March 2018 meeting, the Board approved participant fee reductions, including a decrease in the Plan's administrative fee presently assessed on all participant account balances by one basis point (0.01%), from .10% to .09%; and a decrease in the Plan's current administrative fee cap from \$125 to \$115. Current key variables used in long-term projections are summarized as follows:

<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. Cap Rate</i>	<i>City Attorney Avg. Cap Rate</i>
2.0%	2.0%	6.5%	2.0%	0.09%	\$115	1.0	1.0

With each quarterly review staff provides a ten-year projection of the reserve fund balance. As a result, following is a rolling ten-year forecast of the Deferred Compensation Plan's reserve fund balance.



As indicated in the chart above, staff has calculated the projected surplus relative to the targeted reserve amount over a ten-year period. Presently the surplus is projected to be above the target reserve over the entire period. The lowest projected amount above the target reserve is approximately **\$982,000** in 2024, increasing to **\$1.74** million above target in 2028.

Submitted by: _____
Matthew Vong

Approved by: _____
Steven Montagna

DEFERRED COMPENSATION PLAN QUARTERLY REVIEW OF REVENUES & EXPENSES				
	Pending	Adopted	Adopted	Adopted
	Ending	Ending	Ending	Ending
REVENUE & EXPENSE LINE ITEMS	3/31/2018	12/31/2017	9/30/2017	6/30/2017
STARTING BALANCE				
Payroll Fee Trust Fund Ending Balance	\$ 30,927	37,094	40,695	41,012
Administrative Fee Reserve Fund Balance	\$ 3,232,973	3,251,090	3,269,431	3,075,538
Total	\$ 3,263,900	3,288,184	3,310,126	3,116,550
REVENUES/FEES				
Interest Earnings on Payroll Fee Trust Fund	\$ 187	155	87	163
Payroll Fee Trust Fund Deposit: Travel	\$ -	0	0	0
Payroll Fee Trust Fund Deposit: Salary Reimbursements	\$ 154,269	126,056	118,351	132,946
Interest Earnings on Administrative Fee Reserve Fund	\$ 17,221	17,448	16,227	14,569
Revenue from Fees Deducted from Participant Accounts	\$ 720,785	0	1,401,413	688,845
CAP Adjustment Credits	\$ -	0	0	0
Miscellaneous Credits	\$ -	30	227	0
Total Revenue/Fees	\$ 892,463	143,689	1,536,305	836,524
TOTAL ASSETS (STARTING BALANCE + REVENUE/FEES)	\$ 4,156,363	3,431,873	4,846,431	3,953,074
EXPENDITURES				
Participant Administrative Fees Paid to TPA*	\$ (359,504)	(31)	(817,370)	(401,356)
Prior Quarter Departmental Staffing Reimbursements	\$ (154,269)	(126,056)	(236,701)	(132,946)
Consulting Costs	\$ (14,827)	(34,044)	(16,172)	(59,296)
Plan Administrator Hardship Administration	\$ -	0	(37,750)	(16,250)
Plan Administrator Asset Allocation Fund Management	\$ -	0	(35,500)	(17,750)
Communications	\$ (5,217)	(890)	(536)	0
2130 Travel/Training/Education	\$ -	(3,694)	(3,688)	0
Travel/Training/Education	\$ -	(600)	0	0
Elections Administration	\$ -	0	(28,047)	(13,620)
Wells Fargo Custodial Fees	n/a	n/a	(2,500)	(1,250)
6010 Office and Administrative	\$ (10,619)	(2,658)	0	(575)
4160 Governmental Meetings	\$ -	0	0	0
TOTAL EXPENDITURES	\$ (544,436)	(167,973)	(1,178,264)	(643,042)
Actual Payroll Fee Trust Fund Ending Balance	\$ 20,495	30,927	37,094	40,600
Actual Administrative Fee Reserve Fund Ending Balance	\$ 3,437,131	3,232,973	3,251,090	3,269,431
ACTUAL TOTAL ENDING BALANCE	\$ 3,457,626	3,263,900	3,288,184	3,310,032
ENCUMBRANCES/LIABILITIES				
Outstanding Reimbursements from Prior Quarter(s)	\$ (166,878.73)	(154,269)	(126,056)	(118,351)
Quarter end 09/30/17 Personnel Adjustments (Special Rate 40)	n/a	(9,123)	n/a	n/a
Quarter end 09/30/17 City Attorney Adjustments (Special Rate 40)	n/a	(2,362)	n/a	n/a
Quarterly Personnel Direct/Indirect Costs	\$ (149,674.75)	(132,222)	(133,195)	(113,829)
Quarterly City Attorney Direct/Indirect Costs	\$ (23,375.36)	(23,172)	(21,074)	(12,227)
Net Ending Balance Owed	\$ (339,929)	(321,148)	(280,325)	(244,407)
TOTAL ASSETS LESS LIABILITIES	3,117,697	2,942,752	3,007,859	3,065,625

TPA participant administrative fees are normally deducted from the Reserve Fund following quarter-end; former TPA Empower, in closing its Reserve Fund administration, deducted fees for quarters ending 06/30/17 and 09/30/17 by 09/30/17. Voya as incoming TPA deducted fees for quarter ending 12/31/17 in the quarter ending 03/31/18.