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DEFERRED COMPENSATION PLAN BOARD REPORT 08-12



Date: April 2, 2008

To: Board of Deferred Compensation Administration

From: Staff

Subject: Board Training/Education & Plan Budget Accounts

Recommendation:

That the Board of Deferred Compensation Administration (a) approve an increase in the annual budgeted amount for training/education for Board members/staff to \$50,000 annually (adjusted for inflation); and (b) approve increases in appropriation amounts for Plan accounts as identified in this report, and authorize staff to make expenditures from these accounts as needed to fund miscellaneous and incidental costs allocable to these accounts.

Training/Education:

The Board recently requested that staff study the feasibility of broadening training and educational opportunities for Board members and staff. Staff reviewed the Plan's budget accounts to determine a level of additional resources which would be appropriate to provide expanded training/education opportunities but which would not place an undue burden on the Plan's annual operating budget.

Presently the Plan's budget accounts include a line item for "NAGDCA," which has represented all costs associated with membership in and education received from the National Association of Government Defined Contribution Administrators. Staff finds that it would be appropriate to replace this with a broader category of "Training/Education" and provide a higher annual budget amount to provide for additional training opportunities.

Historical Training Costs – Staff reviewed historical data for expenditures associated with the "NAGDCA" line item from 2000 to the present (prior years were not included because 2000 marked the first year that NAGDCA conference attendance began including a substantial number of Board members and staff). In the past, expenditures

have consistently fallen below assumed amounts¹. The primary reason for this is that not all Board members and staff have attended the NAGDCA conference, nor have they always all attended the full length of the conference or the pre-conference workshops.

Staff found that it would be useful to calculate an average expenditure divided out among all of the individuals *eligible* to attend the conference, whether they attended or not, to obtain a truer picture of how expenditures might play out over time. Eligible individuals include the seven Board members as well as eight individuals who play meaningful support roles in the Plan (three full-time Personnel Department staff, three partially dedicated management staff, and two City Attorney staff).

Year	Training/Education	Individual Cost
2000	\$ 13,719	915
2001	\$ 29,860	1,991
2002	\$ 15,727	1,048
2003	\$ 18,951	1,263
2004	\$ 14,082	939
2005	\$ 22,079	1,472
2006	\$ 24,117	1,608
2007	\$ 20,941	1,396
Average-->	19,935	1,329

The results indicate that the average individual cost has been approximately \$1,329 annually. Looking forward, with the imminent expansion of the Board to nine members, staff increased the assumed number of individuals associated with the Plan to seventeen and then calculated the impact of a modest increase over a five-year period compared to the most recent budget assumptions submitted to the Board:

Year	Proposed Training/Education Budget	Individual Cost	Amount of Additional Expenditure
2008	\$ 50,000	\$ 2,941	\$ 19,100
2009	\$ 51,500	\$ 3,029	\$ 20,600
2010	\$ 53,045	\$ 3,120	\$ 22,145
2011	\$ 54,636	\$ 3,214	\$ 23,736
2012	\$ 56,275	\$ 3,310	\$ 25,375
	Total-->		\$ 110,957

The results indicate that increasing the proposed training budget from \$30,900 (the previous budgeted assumption) to \$50,000, and then adjusting that for inflation over time, will result in an additional five-year cost to the Plan of \$110,957. At the same time it would approximately double the average individual training expenditure from \$1,329 to \$2,941.

Staff believes that such an increase provides a reasonable basis for increasing the Plan's Training/Education budget. It is unlikely that attendance at other types of

¹ With one exception occurring in 2001, when attendees at the September conference in Savannah, Georgia were unable to return from the conference as scheduled due to the September 11 terrorist attacks.

conference or training events will be at anywhere near the scale as occurs for the NAGDCA Conference, given the government-specific and 457-specific focus of that organization. In addition, an additional cumulative \$110,000 of expenditures on a target Plan reserve of \$1.5 million is not unreasonable given the presumed benefit to the Plan of better trained and educated Board members/staff. Expenditures can be reviewed closely over time to determine if the annual budgeted amount should be adjusted either downward or upward.

In addition, to acquaint the Board with potential training opportunities, staff would propose including as part of its monthly staff reports notice of training events for which it has received notice and which Board members may be interested in attending (see this month's staff report for sample). Board members may also advise staff of training opportunities they become aware of to be included in the following month's report. However, staff believes it would be valuable for the Board to take action to provide specific approval of each event (or, if "pre-approvals" are issued for events which repeat each year, do so within detailed parameters) to ensure that diligence and transparency are primary objectives in the decision-making process. The funding of this Plan through Plan participant fees requires a high level of scrutiny to assure that expenditures of participant funds are made wisely and with all due deliberation.

Plan Appropriation Accounts

On related matter, periodically Board action is required to authorize the appropriations of fund within the Deferred Compensation Plan's Administrative Fee Trust Fund #896 into accounts to pay miscellaneous intermittent expenses. They include the following appropriation accounts within the Fund:

- *2130 Travel* – Used to pay for travel, education and training expenses.
- *4160 Governmental Meetings* - Used for paying for incidental expenses for official Board and Committee meetings.
- *6010 Office and Administrative* – Used for newspaper public notices and advertisements, as well as annual Plan-level membership in the National Association of Government Defined Contribution Administrators (NAGDCA).
- *7300 Office Furniture and Equipment* - Used for purchase of computer equipment, printers, furniture, etc.

When the Board initially adopted and appropriated funds into these accounts, staff advised that periodically further Board action would be required to appropriate additional funds. The last such appropriate, outside of travel, occurred in 2002, because these accounts are rarely used. Appropriation does not mean an actual expenditure has been or will be made, only that funds will be set aside to fund those expenditures.

Below is a table indicating current balances in each account and the additional amounts that staff is recommending be appropriated:

Account	Current Balance	Balance Objective	Amount of Additional Recommended Appropriation
2130 Travel	\$ 7,493.73	\$ 50,000.00	\$ 42,506.27
4160 Gov Meetings	\$ 319.87	\$ 2,000.00	\$ 1,680.13
6010 Office & Admin	\$ 22,896.60	\$ 25,000.00	\$ 2,103.40
7300 Furn. & Equip.	\$ 4,369.02	\$ 20,000.00	\$ 15,630.98

Staff further recommends that the Board authorize staff to make expenditures from these accounts as needed to fund miscellaneous and incidental costs allocable to these accounts.

Submitted by: _____
Steven Montagna

Approved by: _____
Maryanne Keehn