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DEFERRED COMPENSATION PLAN BOARD REPORT 08-50



Date: December 1, 2008

To: Board of Deferred Compensation Administration

From: Staff

Subject: Deferred Compensation Plan Budget Status Report - Quarter Ending 09/30/08

Recommendation:

That the Board of Deferred Compensation Administration (a) receive and file the following status report on Deferred Compensation Plan budget accounts for the quarter ending **09/30/08**; and (b) for this same quarter, approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$158,770.24**; City Attorney for **\$25,285.57**; and DWP for **\$2,795.02**.

Discussion:

Reimbursements - Staff is recommending reimbursement from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$158,770.24**; City Attorney for **\$25,285.57**; and DWP for **\$2,795.02**, for the quarter ending 09/30/08. The calculations for the current quarter reimbursement include salaries for the **4.8** positions presently servicing the Plan, including all direct salary and indirect costs as calculated in the City Controller's Cost Allocation Plan (CAP) rates and by DWP Payroll. Indirect costs for the 08/09 fiscal year for Personnel, City Attorney and DWP are 88.53%, 43.23%, and 82% respectively¹. Quarterly activity in the Plan's revenue/expenditure accounts is included in Attachment I.

Rolling five-year Projected Income/Expenses - Following is a rolling five-year forecast of revenue/expenses for the Deferred Compensation Plan budget accounts.

PROJECTED REVENUE/EXPENSES: 010/01/08-09/30/13

Quarter Ending:	9/30/2009	9/30/2010	9/30/2011	9/30/2012	9/30/2013
Starting Balance	\$ 3,455,629	\$ 2,983,485	\$ 2,558,124	\$ 2,182,921	\$ 1,771,606
Estimated Interest Earnings	\$ 177,907	\$ 177,907	\$ 177,907	\$ 177,907	\$ 177,907
Estimated Total Revenue	\$ 2,214,880	\$ 2,310,625	\$ 2,412,685	\$ 2,521,539	\$ 2,637,702
Estimated Expenses	\$ (2,864,931)	\$ (2,913,894)	\$ (2,965,795)	\$ (3,110,760)	\$ (3,137,941)
Difference	\$ (650,051)	\$ (603,269)	\$ (553,110)	\$ (589,222)	\$ (500,238)
Estimated Surplus Balance	\$ 2,983,485	\$ 2,558,124	\$ 2,182,921	\$ 1,771,606	\$ 1,449,276

¹ The rates for Personnel, City Attorney and DWP for FY 07/08 were 78.22%, 52.63%, and 82% respectively.

PROJECTED FEE REVENUES DETAIL

Account Size	Participants	Account Values	Revenue Estimates				
			9/30/2008	9/30/2009	9/30/2010	9/30/2011	9/30/2012
Less than \$25k	18,540	\$ 163,669,805	\$ 176,763	\$ 190,904	\$ 206,177	\$ 222,671	\$ 240,485
\$25k-\$50k	6,034	\$ 218,468,228	\$ 235,946	\$ 254,821	\$ 275,207	\$ 297,224	\$ 321,002
\$50k-\$75k	3,622	\$ 223,302,722	\$ 241,167	\$ 260,460	\$ 281,297	\$ 303,801	\$ 328,105
\$75k-\$100k	2,796	\$ 243,408,742	\$ 262,881	\$ 283,912	\$ 306,625	\$ 331,155	\$ 357,647
\$100k-\$200k	5,933	\$ 831,953,312	\$ 756,458	\$ 771,587	\$ 787,018	\$ 802,759	\$ 818,814
\$200k-\$300k	1,705	\$ 409,721,145	\$ 217,388	\$ 221,735	\$ 226,170	\$ 230,693	\$ 235,307
\$300k-\$400k	657	\$ 224,448,610	\$ 83,768	\$ 85,443	\$ 87,152	\$ 88,895	\$ 90,673
\$400k-\$500k	249	\$ 109,767,622	\$ 31,748	\$ 32,382	\$ 33,030	\$ 33,691	\$ 34,365
Over \$500k	242	\$ 161,840,771	\$ 30,855	\$ 31,472	\$ 32,102	\$ 32,744	\$ 33,398
Total-->	39,778	\$ 2,586,580,957	\$ 2,036,972	\$ 2,132,717	\$ 2,234,778	\$ 2,343,631	\$ 2,459,795

PROJECTED EXPENSES DETAIL

Annual Expenses	9/30/2009	9/30/2010	9/30/2011	9/30/2012	9/30/2013
Admin Fees Owed to GWRS	\$ 1,612,799	\$ 1,645,055	\$ 1,677,956	\$ 1,711,515	\$ 1,745,746
Salary/Related Costs	\$ 892,132	\$ 936,739	\$ 983,576	\$ 1,032,754	\$ 1,053,409
Consulting Costs	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Training/Education	\$ 50,000	\$ 51,500	\$ 53,045	\$ 54,636	\$ 56,275
Quarterly-Fee Allocation Funds	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Election Administration	\$ 60,000	\$ 30,000	\$ -	\$ 60,000	\$ 30,000
Office/Admin/Equipment	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510
	\$ 2,864,931	\$ 2,913,894	\$ 2,965,795	\$ 3,110,760	\$ 3,137,941

The Board's targeted surplus level is \$1.5 million. This projection indicates that the target will be effectively met over each of the next five years. As a precautionary measure, staff generated a ten-year projection to evaluate the projected surplus over a longer period of time. That projection, using the same assumptions we currently use, results in a \$1 million surplus after ten years. Very slight changes to the assumed growth rate of Plan assets (for example, from 8.0 to 8.7%) results in a \$1.5 million surplus after ten years. The asset annual growth rate since 1998 has been 8.6%, even including two significant bear markets during that period. As a result, staff sees no substantial danger that revenues would begin to chronically under-perform expenses, absent a worst-case scenario of a multi-year bear market.

Submitted by: _____
Natasha Zuvich

Reviewed by: _____
Steven Montagna

Approved by: _____
Maryanne Keehn

DEFERRED COMPENSATION PLAN QUARTERLY BUDGET REVIEW	
ADMINISTRATIVE AND OPERATING EXPENSES	
QUARTER ENDING 09/30/08	
STARTING BALANCE	
Payroll Fee Trust Fund Ending Balance - 6/30/08	\$ 255,466
Administrative Fee Reserve Fund Balance - 6/30/08	\$ 3,404,890
Total	\$ 3,660,356
REVENUES/FEES	
Interest Earnings on Payroll Fee Trust Fund	\$ 1,794
Administrative Fee Reserve Fund Deposits	\$ 124,598
Interest Earnings on Administrative Fee Reserve Fund	\$ 42,683
Miscellaneous Revenues	\$ 130
Total Revenue/Fees	\$ 169,204
STARTING BALANCE + REVENUE/FEES	\$ 3,829,561
EXPENDITURES	
Participant Administrative Fees Paid to Great-West	\$ (14,863)
Personnel Department Reimbursements	\$ (125,302)
City Attorney Reimbursements	\$ (26,191)
DWP Reimbursements	\$ -
Consulting Costs	\$ (31,123)
2130 Travel/Training/Education	\$ (9,564)
4160 Governmental Meetings	\$ -
6010 Office and Administrative	\$ (2,106)
7300 Office Furniture & Equipment	\$ -
GWRS Quarterly Fee - Asset Allocation Fund Management	\$ (7,500)
TOTAL EXPENDITURES	\$ (216,649)
Actual Payroll Fee Trust Fund Ending Balance (09/30/08)	\$ 214,597
Actual Administrative Fee Reserve Fund Ending Balance (09/30/08)	\$ 3,557,308
ACTUAL TOTAL BALANCE AS OF 09/30/08	\$ 3,771,905
ENCUMBRANCES/LIABILITIES	
Reimbursements: 3 Mos. Ending 06/30/08	\$ (129,425)
Reimbursements: 3 Mos. Ending 09/30/08	\$ (186,851)
TOTAL LIABILITIES	\$ (316,276)
ASSETS LESS EXPENDITURES/LIABILITIES	\$ 3,455,629
Personnel Reimbursement Summary - 3 Months Ending 09/30/08	
Personnel - Salaries + Related Costs @ 88.53%	\$ 158,770.24
City Attorney - Salaries + Related Costs @ 43.23%	\$ 25,285.57
DWP - Salaries + Related Costs @ 82.00%	\$ 2,795.02
Total Reimbursements	\$ 186,850.84