

# DEFERRED COMPENSATION PLAN BOARD REPORT 10-10

Date: March 23, 2010  
 To: Board of Deferred Compensation Administration  
 From: Staff  
 Subject: Deferred Compensation Plan Budget Status Report:  
 Quarter Ending 12/31/09

*Members*  
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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 **12/31/09**; and (b) for this same quarter, approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$94,585.85**; City Attorney for **\$30,935.38**; and DWP for **\$1,397.51**.

Discussion:

**Reimbursements** - Staff is recommending reimbursement from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$94,585.85**; City Attorney for **\$30,935.38**; and DWP for **\$1,397.51**, for the quarter ending 12/31/09. The calculations for the current quarter reimbursement include salaries for all positions presently servicing the Plan, including 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 09/10 fiscal years for Personnel, City Attorney and DWP are 82.98%, 88.7%, and 82% respectively. 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. The long-term surplus amount is now above the Board's target surplus of \$1.5 million.

**PROJECTED REVENUE/EXPENSES: 1/01/10-12/31/14**

Quarter Ending:	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
Starting Balance	\$ 3,224,756	\$ 3,037,663	\$ 2,822,718	\$ 2,657,597	\$ 2,553,324
Estimated Interest Earnings	\$ 161,238	\$ 151,883	\$ 141,136	\$ 132,880	\$ 127,666
Estimated Total Revenue	\$ 2,323,751	\$ 2,423,199	\$ 2,529,331	\$ 2,646,723	\$ 2,776,679
Estimated Expenses	\$ (2,672,081)	\$ (2,790,027)	\$ (2,835,589)	\$ (2,883,875)	\$ (2,998,717)
Difference	\$ (348,331)	\$ (366,828)	\$ (306,258)	\$ (237,152)	\$ (222,038)
Estimated Surplus Balance	\$ 3,037,663	\$ 2,822,718	\$ 2,657,597	\$ 2,553,324	\$ 2,458,952

## PROJECTED FEE REVENUES DETAIL

Account Size	Participants	Account Values	Revenue Estimates				
			12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013
Less than \$25k	18,390	\$ 171,914,414	\$ 187,387	\$ 204,252	\$ 222,634	\$ 242,671	\$ 264,512
\$25k-\$50k	6,337	\$ 229,389,756	\$ 250,035	\$ 272,538	\$ 297,066	\$ 323,802	\$ 352,945
\$50k-\$75k	3,782	\$ 233,031,701	\$ 254,005	\$ 276,865	\$ 301,783	\$ 328,943	\$ 358,548
\$75k-\$100k	2,577	\$ 224,813,470	\$ 245,047	\$ 267,101	\$ 291,140	\$ 317,343	\$ 345,903
\$100k-\$200k	6,234	\$ 887,478,867	\$ 794,835	\$ 810,732	\$ 826,946	\$ 843,485	\$ 860,355
\$200k-\$300k	2,029	\$ 487,347,491	\$ 258,698	\$ 263,871	\$ 269,149	\$ 274,532	\$ 280,022
\$300k-\$400k	739	\$ 251,652,138	\$ 94,223	\$ 96,107	\$ 98,029	\$ 99,990	\$ 101,989
\$400k-\$500k	299	\$ 131,981,579	\$ 38,123	\$ 38,885	\$ 39,663	\$ 40,456	\$ 41,265
Over \$500k	315	\$ 210,826,213	\$ 40,163	\$ 40,966	\$ 41,785	\$ 42,621	\$ 43,473
Total-->	40,702	\$ 2,828,435,629	\$ 2,162,513	\$ 2,271,316	\$ 2,388,195	\$ 2,513,843	\$ 2,649,013

## PROJECTED EXPENSES DETAIL

Annual Expenses	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
Admin Fees Owed to GWRS	\$ 1,650,263	\$ 1,683,268	\$ 1,716,933	\$ 1,751,272	\$ 1,786,297
Salary/Related Costs	\$ 756,819	\$ 794,660	\$ 834,393	\$ 876,112	\$ 893,635
Consulting Costs	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
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	\$ 15,000	\$ 60,000	\$ 30,000	\$ -	\$ 60,000
Office/Admin/Equipment	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510
	\$ 2,672,081	\$ 2,790,027	\$ 2,835,589	\$ 2,883,875	\$ 2,998,717

The Board's targeted surplus level is \$1.5 million. This projection indicates that the target will be exceeded over each of the next five years. The surplus increased due to interest earnings increasing from the sharp rebound in Plan assets (up 27.4% from 3/31/09 through 12/31/09), as well as the decrease in salary reimbursements for staffing. Staff recommends closely monitoring this situation for the next few quarters to gauge the impact of ERIPS/potential layoffs on Plan assets and participation. Following this, the Board may wish to refer assumptions, projections and evaluation of future fee revenue to the Plan Governance Committee.

Submitted by: \_\_\_\_\_  
Natasha Gameroz

Reviewed by: \_\_\_\_\_  
Steven Montagna

Approved by: \_\_\_\_\_  
Alejandrina Basquez

## DEFERRED COMPENSATION PLAN QUARTERLY BUDGET REVIEW

## ADMINISTRATIVE AND OPERATING EXPENSES

## QUARTER ENDING 12/31/09

## STARTING BALANCE

Payroll Fee Trust Fund Ending Balance - 9/30/09	\$	54,518
Administrative Fee Reserve Fund Balance - 9/30/09	\$	3,203,931
Total	\$	3,258,449

## REVENUES/FEES

Interest Earnings on Payroll Fee Trust Fund	\$	534
Administrative Fee Reserve Fund Deposits	\$	467,849
Interest Earnings on Administrative Fee Reserve Fund	\$	30,723
Miscellaneous Revenues	\$	54
Total Revenue/Fees	\$	499,160
<b>STARTING BALANCE + REVENUE/FEES</b>	<b>\$</b>	<b>3,757,609</b>

## EXPENDITURES

Participant Administrative Fees Paid to Great-West	\$	(152,498)
Personnel Department Reimbursements	\$	(130,224)
City Attorney Reimbursements	\$	(19,479)
DWP Reimbursements	\$	-
Consulting Costs	\$	(15,943)
2130 Travel/Training/Education	\$	(10,626)
4160 Governmental Meetings	\$	-
6010 Office and Administrative	\$	-
7300 Office Furniture & Equipment	\$	-
GWRS Quarterly Fee - Asset Allocation Fund Management	\$	(9,000)
TOTAL EXPENDITURES	\$	(337,770)

Actual Payroll Fee Trust Fund Ending Balance (12/31/09)	\$	28,537
Actual Administrative Fee Reserve Fund Ending Balance (12/31/09)	\$	3,473,506
<b>ACTUAL TOTAL BALANCE AS OF 12/31/09</b>	<b>\$</b>	<b>3,502,043</b>

## ENCUMBRANCES/LIABILITIES

Reimbursements: 3 Mos. Ending 9/30/09	\$	(150,368)
Reimbursements: 3 Mos. Ending 12/31/09	\$	(126,919)
TOTAL LIABILITIES	\$	(277,287)

<b>ASSETS LESS EXPENDITURES/LIABILITIES</b>	<b>\$</b>	<b>3,224,756</b>
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## Staffing Reimbursement Summary - 3 Months Ending 12/31/09

Personnel - Salaries + Related Costs @ 82.98%	\$	94,585.85
City Attorney - Salaries + Related Costs @ 88.7%	\$	30,935.38
DWP - Salaries + Related Costs @ 82.00%	\$	1,397.51
Total Reimbursements	\$	126,918.73