

DEFERRED COMPENSATION PLAN BOARD REPORT 11-25

Date: April 5, 2011
 To: Board of Deferred Compensation Administration
 From: Staff
 Subject: Deferred Compensation Plan Budget Status Report:
 Quarter Ending 9/30/10

Members
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 Richard Kraus, Vice-Chairperson
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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 **9/30/10**; and (b) for this same quarter, approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$107,773.09**; and City Attorney for **\$23,402.47**.

Discussion:

Reimbursements - Staff is recommending reimbursement from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$107,773.09**; and City Attorney for **\$23,402.47**, for the quarter ending 9/30/10. 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. The CAP 33 rates, which covers FY 10-11, are expected to be released at the end of April or beginning of May. Therefore, staff has used the final CAP 32 rates, which cover FY 09-10 and will address the adjustment in a future quarterly reconciliation should the final rates differ from CAP 32. The indirect costs for Personnel and City Attorney are 84.3% and 67.21% 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 still above the Board's target surplus of \$1.5 million.

PROJECTED REVENUE/EXPENSES: 10/01/10-9/30/15

Quarter Ending:	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015
Starting Balance	\$ 3,862,470	\$ 3,756,436	\$ 3,682,491	\$ 3,673,259	\$ 3,651,203
Estimated Interest Earnings	\$ 193,123	\$ 187,822	\$ 184,125	\$ 183,663	\$ 182,560
Estimated Total Revenue	\$ 2,397,810	\$ 2,501,270	\$ 2,614,329	\$ 2,739,303	\$ 2,873,060
Estimated Expenses	\$ (2,696,967)	\$ (2,763,037)	\$ (2,807,686)	\$ (2,945,023)	\$ (2,969,321)
Difference	\$ (299,157)	\$ (261,767)	\$ (193,357)	\$ (205,719)	\$ (96,262)
Estimated Surplus Balance	\$ 3,756,436	\$ 3,682,491	\$ 3,673,259	\$ 3,651,203	\$ 3,737,501

PROJECTED FEE REVENUES DETAIL

Account Size	Participants	Account Values	Revenue Estimates				
			9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014
Less than \$25k	17,627	\$ 169,072,596	\$ 184,289	\$ 200,875	\$ 218,954	\$ 238,660	\$ 260,139
\$25k-\$50k	6,386	\$ 230,517,024	\$ 251,264	\$ 273,877	\$ 298,526	\$ 325,394	\$ 354,679
\$50k-\$75k	3,717	\$ 229,273,699	\$ 249,908	\$ 272,400	\$ 296,916	\$ 323,639	\$ 352,766
\$75k-\$100k	2,523	\$ 218,679,714	\$ 238,361	\$ 259,813	\$ 283,197	\$ 308,684	\$ 336,466
\$100k-\$200k	6,301	\$ 900,263,003	\$ 803,378	\$ 819,445	\$ 835,834	\$ 852,551	\$ 869,602
\$200k-\$300k	2,240	\$ 538,696,844	\$ 285,600	\$ 291,312	\$ 297,138	\$ 303,081	\$ 309,143
\$300k-\$400k	800	\$ 272,701,834	\$ 102,000	\$ 104,040	\$ 106,121	\$ 108,243	\$ 110,408
\$400k-\$500k	348	\$ 154,937,616	\$ 44,370	\$ 45,257	\$ 46,163	\$ 47,086	\$ 48,028
Over \$500k	357	\$ 242,038,213	\$ 45,518	\$ 46,428	\$ 47,356	\$ 48,304	\$ 49,270
Total-->	40,299	\$ 2,956,180,543	\$ 2,204,687	\$ 2,313,448	\$ 2,430,205	\$ 2,555,640	\$ 2,690,499

PROJECTED EXPENSES DETAIL

Annual Expenses	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015
Admin Fees Owed to GWRS	\$ 1,633,923	\$ 1,666,601	\$ 1,699,933	\$ 1,733,932	\$ 1,768,611
Salary/Related Costs	\$ 743,999	\$ 781,199	\$ 820,259	\$ 861,272	\$ 878,498
Consulting Costs	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Training/Education	\$ 53,045	\$ 54,636	\$ 56,275	\$ 57,964	\$ 59,703
Quarterly-Fee Allocation Funds	\$ 36,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
Election Administration	\$ 60,000	\$ 30,000	\$ -	\$ 60,000	\$ 30,000
Office/Admin/Equipment	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510
	\$ 2,696,967	\$ 2,763,037	\$ 2,807,686	\$ 2,945,023	\$ 2,969,321

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. Assuming approval of the Board's pending request to City Council to extend the Third-Party Administrator contract, staff will recommend that the Board refer review of the Plan's long-term revenues/expenses to the Plan Governance & Administrative Issues Committee. Any contract extension would reduce administrative fees. These fee reductions will produce greater surpluses unless otherwise addressed through participant fee reductions, service enhancements, or a combination of the two.

Staffing Reimbursements – At the Board's March 15, 2011 meeting, staff was requested to review the Plan's staffing resources relative to Plan operations. This review is presently underway and staff will report back at the Board's May 17, 2011 meeting.

Submitted by: _____
Natasha Gameroz

Reviewed by: _____
Steven Montagna

Approved by: _____
Alejandrina Basquez

DEFERRED COMPENSATION PLAN QUARTERLY BUDGET REVIEW		
ADMINISTRATIVE AND OPERATING EXPENSES		
QUARTER ENDING 9/30/10		
STARTING BALANCE		
Payroll Fee Trust Fund Ending Balance - 6/30/10	\$	29,952
Administrative Fee Reserve Fund Balance - 6/30/10	\$	3,497,964
Total	\$	3,527,916
REVENUES/FEES		
Interest Earnings on Payroll Fee Trust Fund	\$	117
Administrative Fee Reserve Fund Deposits	\$	721,995
Interest Earnings on Administrative Fee Reserve Fund	\$	27,695
Miscellaneous Revenues	\$	-
Total Revenue/Fees	\$	749,807
STARTING BALANCE + REVENUE/FEES	\$	4,277,723
EXPENDITURES		
Participant Administrative Fees Paid to Great-West	\$	(207,325)
Personnel Department Reimbursements	\$	-
City Attorney Reimbursements	\$	(26,606)
Consulting Costs	\$	5,835
2130 Travel/Training/Education	\$	23,535
4160 Governmental Meetings	\$	-
6010 Office and Administrative	\$	-
7300 Office Furniture & Equipment	\$	-
GWRS Quarterly Fee - Asset Allocation Fund Management	\$	(9,000)
TOTAL EXPENDITURES	\$	(213,561)
Actual Payroll Fee Trust Fund Ending Balance (9/30/10)	\$	150,829
Actual Administrative Fee Reserve Fund Ending Balance (9/30/10)	\$	4,114,050
ACTUAL TOTAL BALANCE AS OF 9/30/10	\$	4,264,879
ENCUMBRANCES/LIABILITIES		
Reimbursements: 3 Mos. Ending 9/30/09 (City Attorney)	\$	(30,754)
Reimbursements: 3 Mos. Ending 3/31/10 (Personnel)	\$	(91,390)
Reimbursements: 3 Mos. Ending 6/30/10	\$	(149,090)
Reimbursements: 3 Mos. Ending 9/30/10	\$	(131,176)
TOTAL LIABILITIES	\$	(402,409)
ASSETS LESS EXPENDITURES/LIABILITIES	\$	3,862,470

Personnel Reimbursement Summary - 3 Months Ending 9/30/10		
Personnel - Salaries + Related Costs @ 84.3%	\$	107,773.09
City Attorney - Salaries + Related Costs @ 67.21%	\$	23,402.47
Total Reimbursements	\$	131,175.57