

# DEFERRED COMPENSATION PLAN BOARD REPORT 12-37

Date: June 28, 2012  
To: Board of Deferred Compensation Administration  
From: Staff  
Subject: Deferred Compensation Plan Budget Status Report:  
Quarters Ending 09/30/11, 12/31/11 & 03/31/12

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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 quarters ending **09/30/11**, **12/31/11** and **03/31/12**; and (b) for these same quarters, approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department and City Attorney as follows:

Quarter	Personnel	City Attorney	Totals
9/30/2011	\$ 99,911.74	\$ 21,773.34	\$ 121,685.09
12/31/2011	\$ 131,356.19	\$ 24,230.49	\$ 155,586.68
3/31/2012	\$ 122,943.01	\$ 27,432.35	\$ 150,375.36

## Discussion:

**Reimbursements** - Staff is recommending reimbursement from Deferred Compensation Plan Reserve Fund accounts to the Personnel Department and City Attorney for the quarters ending 09/30/11, 12/31/11, and 03/31/12. Reimbursements for these quarters are being consolidated in a single report as a result of delays in receiving reports for the earlier quarters from the City's new Financial Management System (FMS), introduced in July 2011.

Calculations for the three quarters include salaries for all positions presently servicing the Plan, including both direct salary as well as indirect compensation costs as calculated in the City Controller's Cost Allocation Plan (CAP) rates. CAP 34 rates, which cover FY 11-12, are expected to be released by the end of 2012. Staff is using final CAP 33 rates, which cover FY 10-11, and will address any necessary adjustments in a future quarterly reconciliation.

Prior to July 1, 2011, staff applied a percentage-based reimbursement methodology on those positions providing support to the Plan. For example, if the Board had adopted 100% reimbursement for a given position, this percentage was applied against the incumbent employee's quarterly salary in order to arrive at a specific reimbursement amount.

However, beginning in July 2011 the City introduced a new "cost accounting" system in order to more accurately capture the working hours City employees allocate to various tasks. This

system allows us to better track the time spent by Plan staff performing tasks which are reimbursable by the Plan. As a result, our reviews for the three quarters included in this report rely on this more accurate cost accounting data.

Use of cost accounting data has also required a change in the treatment of Compensated Time Off, or CTO. The CAP rates contain a separate CTO rate which, in the past, was not applied to Deferred Compensation Plan staff because that time was already accounted for under the percentage-based reimbursement methodology. Now that staff is utilizing a cost-accounting methodology, however, the CAP CTO rate must be applied because the base salary calculations are strictly limited to actual hours spent servicing the Deferred Compensation Plan. Adding in CTO brings the CAP rate level being applied for Personnel and City Attorney staff to 90.68% and 95.25%, respectively.

Summaries of quarterly activity in the Plan's revenue/expenditure accounts are 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. This forecast incorporates assumptions discussed at the Board's September 20, 2011 Board meeting, and Plan data as of 03/31/12. *It also incorporates the assumption of funding an additional Senior Management Analyst I position for the Plan, although that decision is still pending with the Board in a separate report.*

**PROJECTED REVENUE/EXPENSES: 03/31/13-03/31/17**

Quarter Ending:	3/31/2013	3/31/2014	3/31/2015	3/31/2016	3/31/2017
Starting Balance	\$ 2,870,093	\$ 2,554,992	\$ 2,253,109	\$ 1,934,441	\$ 1,631,127
Estimated Interest Earnings	\$ 86,103	\$ 76,650	\$ 67,593	\$ 58,033	\$ 48,934
Estimated Participant Fee Revenue	\$ 2,311,113	\$ 2,379,416	\$ 2,450,661	\$ 2,524,991	\$ 2,602,556
Estimated Total Revenue	\$ 2,397,216	\$ 2,456,065	\$ 2,518,254	\$ 2,583,025	\$ 2,651,490
Estimated Expenses	\$ (2,712,316)	\$ (2,757,949)	\$ (2,836,923)	\$ (2,886,339)	\$ (2,910,791)
Difference	\$ (315,101)	\$ (301,883)	\$ (318,668)	\$ (303,314)	\$ (259,301)
Estimated Surplus Balance	\$ 2,554,992	\$ 2,253,109	\$ 1,934,441	\$ 1,631,127	\$ 1,371,826
Reserve Target	\$ 1,356,158	\$ 1,378,974	\$ 1,418,461	\$ 1,443,169	\$ 1,455,395

**ASSUMPTIONS TABLE SUMMARY**

Basis Points	0.100%	Fee Cap	\$ 125	Asset Growth Adjustment Factor	5.0%
Expenses Inflation Adjustment Factor	2.0%	Enrollment Adjustment Factor	1.0%	Stable Value Funds Interest Assumption	3.0%

## PROJECTED FEE REVENUES DETAIL

Account Size	Participants	Account Values	Fee Revenue Estimates				
			3/31/2012	3/31/2013	3/31/2014	3/31/2015	3/31/2016
Less than \$25k	16,143	\$ 160,101,450	\$ 168,107	\$ 176,512	\$ 185,337	\$ 194,604	\$ 204,335
\$25k-\$50k	6,517	\$ 235,097,861	\$ 246,853	\$ 259,195	\$ 272,155	\$ 285,763	\$ 300,051
\$50k-\$75k	3,651	\$ 224,875,133	\$ 236,119	\$ 247,925	\$ 260,321	\$ 273,337	\$ 287,004
\$75k-\$100k	2,696	\$ 234,179,431	\$ 245,888	\$ 258,183	\$ 271,092	\$ 284,647	\$ 298,879
\$100k-\$125k	1,985	\$ 221,738,046	\$ 232,825	\$ 244,466	\$ 256,690	\$ 269,524	\$ 283,000
\$125k-\$150k	1,668	\$ 228,795,709	\$ 210,585	\$ 212,691	\$ 214,818	\$ 216,966	\$ 219,136
\$150k-\$175k	1,419	\$ 230,407,068	\$ 179,149	\$ 180,940	\$ 182,750	\$ 184,577	\$ 186,423
\$175k-\$200k	1,135	\$ 212,274,298	\$ 143,294	\$ 144,727	\$ 146,174	\$ 147,636	\$ 149,112
\$200k-\$300k	3,037	\$ 734,131,300	\$ 383,421	\$ 387,255	\$ 391,128	\$ 395,039	\$ 398,990
\$300k-\$400k	1,107	\$ 379,142,899	\$ 139,759	\$ 141,156	\$ 142,568	\$ 143,994	\$ 145,434
\$400k-\$500k	457	\$ 201,895,730	\$ 57,696	\$ 58,273	\$ 58,856	\$ 59,445	\$ 60,039
Over \$500k	534	\$ 360,360,352	\$ 67,418	\$ 68,092	\$ 68,773	\$ 69,460	\$ 70,155
Total-->	40,349	\$ 3,422,999,277	\$ 2,311,113	\$ 2,379,416	\$ 2,450,661	\$ 2,524,991	\$ 2,602,556

## PROJECTED EXPENSES DETAIL

Annual Expenses	3/31/2013	3/31/2014	3/31/2015	3/31/2016	3/31/2017
Admin Fees Owed to GWRS	\$ 1,506,620	\$ 1,521,686	\$ 1,536,903	\$ 1,552,272	\$ 1,567,794
Salary/Related Costs	\$ 634,110	\$ 665,816	\$ 699,107	\$ 734,062	\$ 748,743
Consulting Costs	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000
Training/Education	\$ 54,636	\$ 55,729	\$ 56,843	\$ 57,980	\$ 59,140
Hardship Administration Costs	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Quarterly-Fee Allocation Funds	\$ 72,000	\$ 72,000	\$ 72,000	\$ 72,000	\$ 72,000
Election Administration	\$ 10,000	\$ -	\$ 21,200	\$ 10,600	\$ -
Office/Admin/Equipment	\$ 7,650	\$ 7,803	\$ 7,959	\$ 8,118	\$ 8,281
	\$ 2,560,016	\$ 2,598,033	\$ 2,669,012	\$ 2,710,032	\$ 2,730,958

Based on a target surplus level of 50%, or six months, of Plan annual operating expenses, this projection indicates the target will be exceeded over the next two years.

Submitted by: \_\_\_\_\_  
Steven Montagna

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

<b>DEFERRED COMPENSATION PLAN QUARTERLY BUDGET REVIEW</b>		
<b>ADMINISTRATIVE AND OPERATING EXPENSES</b>		
<b>QUARTER ENDING 9/30/11</b>		
<b>STARTING BALANCE</b>		
Payroll Fee Trust Fund Ending Balance - 6/30/11	\$	12,610
Administrative Fee Reserve Fund Balance - 6/30/11	\$	3,046,667
Total	\$	<b>3,059,278</b>
<b>REVENUES/FEES</b>		
Interest Earnings on Payroll Fee Trust Fund	\$	211
Payroll Fee Trust Fund Deposit: Travel	\$	24,000
Payroll Fee Trust Fund Deposit: Salary Reimbursements	\$	167,987
Interest Earnings on Administrative Fee Reserve Fund	\$	22,221
Revenue from Fees Deducted from Participant Accounts	\$	542,893
Miscellaneous Credits	\$	12,060
Total Revenue/Fees	\$	<b>769,372</b>
<b>STARTING BALANCE + REVENUE/FEES</b>	\$	<b>3,828,650</b>
<b>EXPENDITURES</b>		
2130 Travel/Training/Education	\$	(11,319)
4160 Governmental Meetings	\$	-
6010 Office and Administrative	\$	-
7300 Office Furniture & Equipment	\$	-
Participant Administrative Fees Paid to Great-West	\$	(400,660)
Unforeseen Emergency Withdrawal Service	\$	(26,750)
Prior Quarter Departmental Staffing Reimbursements (12/31/10 & 03/31/11)	\$	(329,564)
Travel/Training/Education - Transfer to Payroll Fee Trust Fund	\$	(24,000)
Consulting Costs	\$	(29,395)
Special Mailing/Marketing Expenses	\$	(1,561)
GWRS Quarterly Fee - Asset Allocation Fund Management	\$	(9,000)
<b>TOTAL EXPENDITURES</b>	\$	<b>(832,248)</b>
Actual Payroll Fee Trust Fund Ending Balance (9/30/11)	\$	193,490
Actual Administrative Fee Reserve Fund Ending Balance (9/30/11)	\$	2,802,911
<b>ACTUAL TOTAL BALANCE AS OF 9/30/11</b>	\$	<b>2,996,401</b>
<b>ENCUMBRANCES/LIABILITIES</b>		
Reimbursements: 3 Mos. Ending 6/30/11	\$	(183,314)
Reimbursements: 3 Mos. Ending 9/30/11	\$	(121,685)
TOTAL LIABILITIES	\$	<b>(304,999)</b>
<b>ASSETS LESS EXPENDITURES/LIABILITIES</b>	\$	<b>2,691,402</b>

**ADMINISTRATIVE AND OPERATING EXPENSES  
QUARTER ENDING 12/31/11**

<b>STARTING BALANCE</b>		
Payroll Fee Trust Fund Ending Balance - 9/30/11	\$	193,490
Administrative Fee Reserve Fund Balance - 09/31/11	\$	2,802,911
Total	\$	<b>2,996,401</b>
<b>REVENUES/FEES</b>		
Interest Earnings on Payroll Fee Trust Fund	\$	349
Payroll Fee Trust Fund Deposit: Travel	\$	-
Payroll Fee Trust Fund Deposit: Salary Reimbursements	\$	344,891
Interest Earnings on Administrative Fee Reserve Fund	\$	19,903
Revenue from Fees Deducted from Participant Accounts	\$	531,665
Miscellaneous Credits	\$	1,429
Total Revenue/Fees	\$	<b>898,237</b>
<b>STARTING BALANCE + REVENUE/FEES</b>	<b>\$</b>	<b>3,894,638</b>
<b>EXPENDITURES</b>		
2130 Travel/Training/Education	\$	(11,134)
4160 Governmental Meetings	\$	-
6010 Office and Administrative	\$	-
7300 Office Furniture & Equipment	\$	-
Participant Administrative Fees Paid to Great-West	\$	(401,127)
Unforeseen Emergency Withdrawal Service	\$	(35,000)
Prior Quarter Departmental Staffing Reimbursements (06/30/11)	\$	(183,314)
Travel/Training/Education - Transfer to Payroll Fee Trust Fund	\$	-
Consulting Costs	\$	(48,446)
Special Mailing/Marketing Expenses	\$	-
GWRS Quarterly Fee - Asset Allocation Fund Management	\$	(9,000)
<b>TOTAL EXPENDITURES</b>	<b>\$</b>	<b>(688,021)</b>
Actual Payroll Fee Trust Fund Ending Balance (12/31/11)	\$	527,626
Actual Administrative Fee Reserve Fund Ending Balance (12/31/11)	\$	2,679,021
<b>ACTUAL TOTAL BALANCE AS OF 12/31/11</b>	<b>\$</b>	<b>3,206,647</b>
<b>ENCUMBRANCES/LIABILITIES</b>		
Reimbursements: 3 Mos. Ending 9/30/11	\$	(121,685)
Reimbursements: 3 Mos. Ending 12/31/11	\$	(155,587)
TOTAL LIABILITIES	\$	<b>(277,272)</b>
<b>ASSETS LESS EXPENDITURES/LIABILITIES</b>	<b>\$</b>	<b>2,929,375</b>

<b>DEFERRED COMPENSATION PLAN QUARTERLY BUDGET REVIEW</b>		
<b>ADMINISTRATIVE AND OPERATING EXPENSES</b>		
<b>QUARTER ENDING 03/31/12</b>		
<b>STARTING BALANCE</b>		
Payroll Fee Trust Fund Ending Balance - 12/31/11	\$	527,626
Administrative Fee Reserve Fund Balance - 12/31/11	\$	2,679,021
Total	\$	<b>3,206,647</b>
<b>REVENUES/FEES</b>		
Interest Earnings on Payroll Fee Trust Fund	\$	1,347
Payroll Fee Trust Fund Deposit: Travel	\$	-
Payroll Fee Trust Fund Deposit: Salary Reimbursements	\$	-
Interest Earnings on Administrative Fee Reserve Fund	\$	18,679
Revenue from Fees Deducted from Participant Accounts	\$	532,541
Miscellaneous Credits	\$	35
Total Revenue/Fees	\$	<b>552,602</b>
<b>STARTING BALANCE + REVENUE/FEES</b>	\$	<b>3,759,249</b>
<b>EXPENDITURES</b>		
2130 Travel/Training/Education	\$	-
4160 Governmental Meetings	\$	-
6010 Office and Administrative	\$	-
7300 Office Furniture & Equipment	\$	-
Participant Administrative Fees Paid to Great-West	\$	(400,958)
Unforeseen Emergency Withdrawal Service	\$	(33,750)
Prior Quarter Departmental Staffing Reimbursements (06/30/11)	\$	-
Travel/Training/Education - Transfer to Payroll Fee Trust Fund	\$	-
Consulting Costs	\$	(17,301)
Special Mailing/Marketing Expenses	\$	(500)
GWRS Quarterly Fee - Asset Allocation Fund Management	\$	(9,000)
<b>TOTAL EXPENDITURES</b>	\$	<b>(461,509)</b>
Actual Payroll Fee Trust Fund Ending Balance (03/31/12)	\$	528,974
Actual Administrative Fee Reserve Fund Ending Balance (03/31/12)	\$	2,768,767
<b>ACTUAL TOTAL BALANCE AS OF 03/31/12</b>	\$	<b>3,297,740</b>
<b>ENCUMBRANCES/LIABILITIES</b>		
Reimbursements: 3 Mos. Ending 9/30/11	\$	(121,685)
Reimbursements: 3 Mos. Ending 12/31/11	\$	(155,587)
Reimbursements: 3 Mos. Ending 03/31/12	\$	(150,375)
TOTAL LIABILITIES	\$	<b>(427,647)</b>
<b>ASSETS LESS EXPENDITURES/LIABILITIES</b>	\$	<b>2,870,093</b>