

DEFERRED COMPENSATION PLAN BOARD REPORT 12-55

Date: November 6, 2012
To: Board of Deferred Compensation Administration
From: Staff
Subject: Deferred Compensation Plan Budget Status Report:
Quarter Ending 6/30/12

Members
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John R. Mumma, Vice-Chairperson
Cliff Cannon, First Provisional Chair
Tom Moutes, Second Provisional Chair
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Michael Amerian
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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 **6/30/12**; (b) for this same quarter, approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$104,868.77**; and City Attorney for **\$14,539.93**.

Discussion:

Reimbursements - Staff is recommending reimbursement from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for \$104,868.77 and City Attorney for \$14,539.93 for the quarter ending 6/30/12. 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 34 rates, which covers FY 11-12, are expected to be released by the end of 2012. Therefore, staff has used the final CAP 33 rates, which cover FY 10-11 and will address the adjustment in a future quarterly reconciliation should the final rates differ from CAP 33. The indirect costs, including CTO for Personnel and City Attorney are 90.68% and 95.25% 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. This forecast incorporates assumptions discussed at the Board's September 20, 2011 Board meeting, and Plan data as of 6/30/12. *It also incorporates the funding of an additional Senior Management Analyst I position for the Plan, starting on 1/1/13.*

PROJECTED REVENUE/EXPENSES: 7/01/12-6/30/17

This table provides a projection of the Plan's estimated reserve balance relative to its target reserve. The projection indicates that the estimated ending five-year reserve is in alignment with the target reserve.

| Quarter Ending: | 6/30/2013 | 6/30/2014 | 6/30/2015 | 6/30/2016 | 6/30/2017 |
|-------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Starting Balance | \$ 2,387,532 | \$ 2,098,103 | \$ 1,847,373 | \$ 1,607,788 | \$ 1,414,099 |
| Estimated Interest Earnings | \$ 71,626 | \$ 62,943 | \$ 55,421 | \$ 48,234 | \$ 42,423 |
| Estimated Participant Fee Revenue | \$ 2,296,195 | \$ 2,364,524 | \$ 2,435,805 | \$ 2,510,181 | \$ 2,587,802 |
| Estimated Total Revenue | \$ 2,367,821 | \$ 2,427,467 | \$ 2,491,227 | \$ 2,558,415 | \$ 2,630,225 |
| Estimated Expenses | \$ (2,657,250) | \$ (2,678,197) | \$ (2,730,812) | \$ (2,752,104) | \$ (2,773,879) |
| Difference between revenue/expenses | \$ (289,429) | \$ (250,729) | \$ (239,585) | \$ (193,689) | \$ (143,655) |
| Estimated Reserve Balance | \$ 2,098,103 | \$ 1,847,373 | \$ 1,607,788 | \$ 1,414,099 | \$ 1,270,444 |
| Target Reserve Balance (50% Annual Operating Expenses) | \$ 1,328,625 | \$ 1,339,098 | \$ 1,365,406 | \$ 1,376,052 | \$ 1,386,940 |
| Estimated Balance Over/Under Reserve | \$ 769,478 | \$ 508,275 | \$ 242,382 | \$ 38,047 | \$ (116,495) |

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

| Account Size | Participants | Account Values | Fee Revenue Estimates | | | | |
|--------------------|---------------|-------------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|
| | | | 6/30/2012 | 6/30/2013 | 6/30/2014 | 6/30/2015 | 6/30/2016 |
| Less than \$25k | 16,238 | \$ 161,278,254 | \$ 169,342 | \$ 177,809 | \$ 186,700 | \$ 196,035 | \$ 205,836 |
| \$25k-\$50k | 6,550 | \$ 236,224,940 | \$ 248,036 | \$ 260,438 | \$ 273,460 | \$ 287,133 | \$ 301,490 |
| \$50k-\$75k | 3,655 | \$ 225,602,024 | \$ 236,882 | \$ 248,726 | \$ 261,163 | \$ 274,221 | \$ 287,932 |
| \$75k-\$100k | 2,672 | \$ 232,372,835 | \$ 243,991 | \$ 256,191 | \$ 269,001 | \$ 282,451 | \$ 296,573 |
| \$100k-\$125k | 2,008 | \$ 224,702,534 | \$ 235,938 | \$ 247,735 | \$ 260,121 | \$ 273,127 | \$ 286,784 |
| \$125k-\$150k | 1,632 | \$ 223,916,783 | \$ 206,040 | \$ 208,100 | \$ 210,181 | \$ 212,283 | \$ 214,406 |
| \$150k-\$175k | 1,403 | \$ 227,471,403 | \$ 177,129 | \$ 178,900 | \$ 180,689 | \$ 182,496 | \$ 184,321 |
| \$175k-\$200k | 1,138 | \$ 212,848,026 | \$ 143,673 | \$ 145,109 | \$ 146,560 | \$ 148,026 | \$ 149,506 |
| \$200k-\$300k | 2,965 | \$ 716,910,692 | \$ 374,331 | \$ 378,075 | \$ 381,855 | \$ 385,674 | \$ 389,531 |
| \$300k-\$400k | 1,088 | \$ 372,760,818 | \$ 137,360 | \$ 138,734 | \$ 140,121 | \$ 141,522 | \$ 142,937 |
| \$400k-\$500k | 434 | \$ 192,047,790 | \$ 54,793 | \$ 55,340 | \$ 55,894 | \$ 56,453 | \$ 57,017 |
| Over \$500k | 544 | \$ 365,480,259 | \$ 68,680 | \$ 69,367 | \$ 70,060 | \$ 70,761 | \$ 71,469 |
| Total--> | 40,327 | \$ 3,391,616,358 | \$ 2,296,195 | \$ 2,364,524 | \$ 2,435,805 | \$ 2,510,181 | \$ 2,587,802 |

PROJECTED EXPENSES DETAIL

| Annual Expenses | 6/30/2013 | 6/30/2014 | 6/30/2015 | 6/30/2016 | 6/30/2017 |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Admin Fees Owed to GWRS | \$ 1,505,798 | \$ 1,520,856 | \$ 1,536,065 | \$ 1,551,425 | \$ 1,566,940 |
| Salary/Related Costs | \$ 732,166 | \$ 746,809 | \$ 761,745 | \$ 776,980 | \$ 792,520 |
| 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 |
| Total--> | \$ 2,657,250 | \$ 2,678,197 | \$ 2,730,812 | \$ 2,752,104 | \$ 2,773,879 |

Submitted by: _____
Natasha Gameroz

Reviewed by: _____
Steven Montagna

Approved by: _____
Alejandrina Basquez

| DEFERRED COMPENSATION PLAN QUARTERLY BUDGET REVIEW | | |
|------------------------------------------------------------------|-----------|------------------|
| ADMINISTRATIVE AND OPERATING EXPENSES | | |
| QUARTER ENDING 06/30/12 | | |
| STARTING BALANCE | | |
| Payroll Fee Trust Fund Ending Balance - 3/31/12 | \$ | 528,974 |
| Administrative Fee Reserve Fund Balance - 3/31/12 | \$ | 2,768,767 |
| Total | \$ | 3,297,740 |
| REVENUES/FEES | | |
| Interest Earnings on Payroll Fee Trust Fund | \$ | 2,521 |
| Payroll Fee Trust Fund Deposit: Travel | \$ | - |
| Payroll Fee Trust Fund Deposit: Salary Reimbursements | \$ | - |
| Interest Earnings on Administrative Fee Reserve Fund | \$ | 18,833 |
| Revenue from Fees Deducted from Participant Accounts | \$ | 561,926 |
| Miscellaneous Credits | \$ | 40,263 |
| Total Revenue/Fees | \$ | 623,544 |
| STARTING BALANCE + REVENUE/FEES | \$ | 3,921,284 |
| EXPENDITURES | | |
| 2130 Travel/Training/Education | \$ | (1,596) |
| 4160 Governmental Meetings | \$ | - |
| 6010 Office and Administrative | \$ | - |
| 7300 Office Furniture & Equipment | \$ | (6,482) |
| Participant Administrative Fees Paid to Great-West | \$ | (372,916) |
| Unforeseen Emergency Withdrawal Service | \$ | (31,500) |
| Prior Quarter Departmental Staffing Reimbursements | \$ | - |
| Travel/Training/Education - Transfer to Payroll Fee Trust Fund | \$ | - |
| Consulting Costs | \$ | (46,589) |
| Special Mailing/Marketing Expenses | \$ | - |
| GWRS Quarterly Fee - Asset Allocation Fund Management | \$ | (9,000) |
| Wells Fargo Custodial Fees | \$ | (5,750) |
| TOTAL EXPENDITURES | \$ | (473,833) |
| Actual Payroll Fee Trust Fund Ending Balance (06/30/12) | \$ | 10,554 |
| Actual Administrative Fee Reserve Fund Ending Balance (06/30/12) | \$ | 2,924,034 |
| ACTUAL TOTAL BALANCE AS OF 06/30/12 | \$ | 2,934,588 |
| ENCUMBRANCES/LIABILITIES | | |
| 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) |
| Reimbursements: 3 Mos. Ending 06/30/12 | \$ | (119,409) |
| TOTAL LIABILITIES | \$ | (547,056) |

| | | | |
|------------------------------------------------------------|----------------------|-----------|-------------------|
| ASSETS LESS EXPENDITURES/LIABILITIES | | \$ | 2,387,532 |
| Personnel Reimbursement Summary - 3 Months Ending 06/30/12 | | | |
| Personnel - Salaries + Related Costs @ 90.68% | | \$ | 104,868.77 |
| City Attorney - Salaries + Related Costs @ 95.25% | | \$ | 14,539.93 |
| | Total Reimbursements | \$ | 119,408.69 |