

DEFERRED COMPENSATION PLAN BOARD REPORT 13-05

Date: January 2, 2013
To: Board of Deferred Compensation Administration
From: Staff
Subject: Deferred Compensation Plan Budget Status Report:
Quarter Ending 9/30/12

Members
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John R. Mumma, 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 **9/30/12**; (b) for this same quarter, approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$127,420.92**; and City Attorney for **\$16,553.67**.

Discussion:

Reimbursements - Staff is recommending reimbursement from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for \$127,420.92 and City Attorney for \$16,553.67 for the quarter ending 9/30/12. 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 draft CAP 34 rates, which cover FY 11-12, have been released. These rates are subject to revision by the Controller. If they are revised, staff will address the adjustment in a future quarterly reconciliation.

The indirect costs, including CTO for Personnel and City Attorney are 124.69% and 76.46% respectively. Staff has been informed by the Controller's Office that the approximate 30% increase of the CAP rate for Personnel from FY 10-11 to FY 11-12 was due to the lower salary base for the Department. The Central Services component, such as Building Leases, etc. is constant. The rate per employee has increased due to the loss of positions in the Department from ERIP. The CAP rate may, however, now decrease due to increases in Personnel staffing resulting from human resources consolidation. 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 9/30/12. It also incorporates the funding of an additional Senior Management Analyst I position for the Plan.

PROJECTED REVENUE/EXPENSES: 10/01/12-9/30/17

Quarter Ending:	9/30/2013	9/30/2014	9/30/2015	9/30/2016	9/30/2017
Starting Balance	\$ 2,431,477	\$ 2,121,409	\$ 1,848,423	\$ 1,584,886	\$ 1,365,473
Estimated Interest Earnings	\$ 72,944	\$ 63,642	\$ 55,453	\$ 47,547	\$ 40,964
Estimated Participant Fee Revenue	\$ 2,342,559	\$ 2,411,288	\$ 2,482,969	\$ 2,557,746	\$ 2,635,767
Estimated Total Revenue	\$ 2,415,503	\$ 2,474,930	\$ 2,538,422	\$ 2,605,292	\$ 2,676,731
Estimated Expenses	\$ (2,725,572)	\$ (2,747,917)	\$ (2,801,959)	\$ (2,824,705)	\$ (2,847,966)
Difference between revenue/expenses	\$ (310,068)	\$ (272,987)	\$ (263,537)	\$ (219,413)	\$ (171,235)
Estimated Surplus Balance	\$ 2,121,409	\$ 1,848,423	\$ 1,584,886	\$ 1,365,473	\$ 1,194,238
Reserve Target (50% Annual Operating Expenses)	\$ 1,362,786	\$ 1,373,958	\$ 1,400,979	\$ 1,412,353	\$ 1,423,983
Estimated Balance Over/Under Reserve	\$ 758,623	\$ 474,464	\$ 183,907	\$ (46,880)	\$ (229,745)

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				
			9/30/2012	9/30/2013	9/30/2014	9/30/2015	9/30/2016
Less than \$25k	15,783	\$ 158,115,009	\$ 166,021	\$ 174,322	\$ 183,038	\$ 192,190	\$ 201,799
\$25k-\$50k	6,508	\$ 235,092,855	\$ 246,847	\$ 259,190	\$ 272,149	\$ 285,757	\$ 300,045
\$50k-\$75k	3,699	\$ 228,222,318	\$ 239,633	\$ 251,615	\$ 264,196	\$ 277,406	\$ 291,276
\$75k-\$100k	2,611	\$ 227,050,793	\$ 238,403	\$ 250,323	\$ 262,840	\$ 275,982	\$ 289,781
\$100k-\$125k	2,057	\$ 230,165,850	\$ 241,674	\$ 253,758	\$ 266,446	\$ 279,768	\$ 293,756
\$125k-\$150k	1,590	\$ 217,992,548	\$ 200,738	\$ 202,745	\$ 204,772	\$ 206,820	\$ 208,888
\$150k-\$175k	1,427	\$ 231,257,573	\$ 180,159	\$ 181,960	\$ 183,780	\$ 185,618	\$ 187,474
\$175k-\$200k	1,133	\$ 211,847,460	\$ 143,041	\$ 144,472	\$ 145,916	\$ 147,376	\$ 148,849
\$200k-\$300k	3,146	\$ 765,469,291	\$ 397,183	\$ 401,154	\$ 405,166	\$ 409,218	\$ 413,310
\$300k-\$400k	1,193	\$ 408,369,567	\$ 150,616	\$ 152,122	\$ 153,644	\$ 155,180	\$ 156,732
\$400k-\$500k	499	\$ 220,127,671	\$ 62,999	\$ 63,629	\$ 64,265	\$ 64,908	\$ 65,557
Over \$500k	596	\$ 405,748,196	\$ 75,245	\$ 75,997	\$ 76,757	\$ 77,525	\$ 78,300
Total-->	40,242	\$ 3,539,459,131	\$ 2,342,559	\$ 2,411,288	\$ 2,482,969	\$ 2,557,746	\$ 2,635,767

PROJECTED EXPENSES DETAIL

Annual Expenses	9/30/2013	9/30/2014	9/30/2015	9/30/2016	9/30/2017
Admin Fees Owed to GWRS	\$ 1,502,624	\$ 1,517,650	\$ 1,532,827	\$ 1,548,155	\$ 1,563,637
Salary/Related Costs	\$ 803,661	\$ 819,735	\$ 836,129	\$ 852,852	\$ 869,909
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	\$ -	\$ 21,200	\$ 10,600	\$ -	\$ 21,200
Office/Admin/Equipment	\$ 7,650	\$ 7,803	\$ 7,959	\$ 8,118	\$ 8,281
Total-->	\$ 2,725,572	\$ 2,747,917	\$ 2,801,959	\$ 2,824,705	\$ 2,847,966

Based on a target surplus level of 50%, or six months, of Plan annual operating expenses, this projection indicates the surplus over the next five years is slightly below target. However, staff's assumptions are conservative and actual results are thus more likely to exceed these projections. In any event, staff will monitor these numbers closely.

Submitted by: _____
Natasha Gameroz

Reviewed by: _____
Steven Montagna

Approved by: _____
Alejandrina Basquez

DEFERRED COMPENSATION PLAN QUARTERLY BUDGET REVIEW		
ADMINISTRATIVE AND OPERATING EXPENSES		
QUARTER ENDING 09/30/12		
STARTING BALANCE		
Payroll Fee Trust Fund Ending Balance - 6/30/12	\$	10,554
Administrative Fee Reserve Fund Balance - 6/30/12	\$	2,924,034
Total	\$	2,934,588
REVENUES/FEES		
Interest Earnings on Payroll Fee Trust Fund	\$	680
Payroll Fee Trust Fund Deposit: Travel	\$	27,000
Payroll Fee Trust Fund Deposit: Salary Reimbursements	\$	427,647
Interest Earnings on Administrative Fee Reserve Fund	\$	17,325
Revenue from Fees Deducted from Participant Accounts	\$	556,001
Miscellaneous Credits	\$	87,105
Total Revenue/Fees	\$	1,115,757
STARTING BALANCE + REVENUE/FEES	\$	4,050,345
EXPENDITURES		
2130 Travel/Training/Education	\$	(8,256)
4160 Governmental Meetings	\$	-
6010 Office and Administrative	\$	-
7300 Office Furniture & Equipment	\$	-
Participant Administrative Fees Paid to Great-West	\$	(372,732)
Unforeseen Emergency Withdrawal Service	\$	(32,000)
Prior Quarter Departmental Staffing Reimbursements	\$	(427,647)
Travel/Training/Education - Transfer to Payroll Fee Trust Fund	\$	(27,000)
Consulting Costs	\$	(8,061)
Special Mailing/Marketing Expenses	\$	(7,753)
GWRS Quarterly Fee - Asset Allocation Fund Management	\$	(43,154)
Wells Fargo Custodial Fees	\$	(1,250)
TOTAL EXPENDITURES	\$	(927,852)
Actual Payroll Fee Trust Fund Ending Balance (09/30/12)	\$	29,993
Actual Administrative Fee Reserve Fund Ending Balance (09/30/12)	\$	2,664,868
ACTUAL TOTAL BALANCE AS OF 09/30/12	\$	2,694,861
ENCUMBRANCES/LIABILITIES		
Reimbursements: 3 Mos. Ending 6/30/12	\$	(119,409)
Reimbursements: 3 Mos. Ending 09/30/12	\$	(143,975)
TOTAL LIABILITIES	\$	(263,384)
ASSETS LESS EXPENDITURES/LIABILITIES	\$	2,431,477

Personnel Reimbursement Summary - 3 Months Ending 09/30/12		
Personnel - Salaries + Related Costs @ 124.69%	\$	127,420.92
City Attorney - Salaries + Related Costs @ 76.46%	\$	16,553.67
Total Reimbursements	\$	143,974.59