

DEFERRED COMPENSATION PLAN BOARD REPORT 13-25

Date: July 3, 2013
To: Board of Deferred Compensation Administration
From: Staff
Subject: Deferred Compensation Plan Budget Status Report:
Quarter Ending 3/31/13

Members
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John R. Mumma, Vice-Chairperson
Cliff Cannon, First Provisional Chair
Tom Moutes, Second Provisional Chair
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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 **3/31/13**; (b) for this same quarter, approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$141,252.36**; and City Attorney for **\$22,586.25**.

Discussion:

Reimbursements - Staff is recommending reimbursement from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for \$141,252.36 and City Attorney for \$22,586.25 for the quarter ending 03/31/13. 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. 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 03/31/13.

PROJECTED REVENUE/EXPENSES: 03/01/13-03/31/18

Quarter Ending:	3/31/2014	3/31/2015	3/30/2016	3/31/2017	3/31/2018
Starting Balance	\$ 2,575,783	\$ 2,228,321	\$ 1,915,983	\$ 1,642,230	\$ 1,378,962
Estimated Interest Earnings	\$ 77,273	\$ 66,850	\$ 57,479	\$ 49,267	\$ 41,369
Estimated Participant Fee Revenue	\$ 2,422,327	\$ 2,491,600	\$ 2,563,818	\$ 2,639,124	\$ 2,717,666
Estimated Total Revenue	\$ 2,499,600	\$ 2,558,449	\$ 2,621,298	\$ 2,688,390	\$ 2,759,034
Estimated Expenses	\$(2,847,062)	\$(2,870,788)	\$(2,895,051)	\$(2,951,658)	\$(2,977,020)
Difference between revenue/expenses	\$ (347,462)	\$ (312,339)	\$ (273,753)	\$ (263,268)	\$ (217,986)
Estimated Surplus Balance	\$ 2,228,321	\$ 1,915,983	\$ 1,642,230	\$ 1,378,962	\$ 1,160,976
Reserve Target (50% Annual Operating Expenses)	\$ 1,423,531	\$ 1,435,394	\$ 1,447,525	\$ 1,475,829	\$ 1,488,510
Estimated Balance Over/Under Reserve	\$ 804,790	\$ 480,589	\$ 194,704	\$ (96,867)	\$ (327,534)

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				
3/31/2013			3/31/2014	3/31/2015	3/30/2016	3/31/2017	3/31/2018
Less than \$25k	15,211	\$ 153,750,828	\$ 161,438	\$ 169,510	\$ 177,986	\$ 186,885	\$ 196,229
\$25k-\$50k	6,457	\$ 233,728,239	\$ 245,415	\$ 257,685	\$ 270,570	\$ 284,098	\$ 298,303
\$50k-\$75k	3,707	\$ 228,482,219	\$ 239,906	\$ 251,902	\$ 264,497	\$ 277,722	\$ 291,608
\$75k-\$100k	2,623	\$ 227,934,679	\$ 239,331	\$ 251,298	\$ 263,863	\$ 277,056	\$ 290,909
\$100k-\$125k	2,044	\$ 228,717,599	\$ 240,153	\$ 252,161	\$ 264,769	\$ 278,008	\$ 291,908
\$125k-\$150k	1,653	\$ 226,611,300	\$ 208,691	\$ 210,778	\$ 212,886	\$ 215,015	\$ 217,165
\$150k-\$175k	1,385	\$ 224,680,036	\$ 174,856	\$ 176,605	\$ 178,371	\$ 180,155	\$ 181,956
\$175k-\$200k	1,179	\$ 220,496,662	\$ 148,849	\$ 150,337	\$ 151,841	\$ 153,359	\$ 154,893
\$200k-\$300k	3,313	\$ 811,580,122	\$ 418,266	\$ 422,449	\$ 426,673	\$ 430,940	\$ 435,250
\$300k-\$400k	1,446	\$ 495,051,329	\$ 182,558	\$ 184,383	\$ 186,227	\$ 188,089	\$ 189,970
\$400k-\$500k	597	\$ 264,483,097	\$ 75,371	\$ 76,125	\$ 76,886	\$ 77,655	\$ 78,432
Over \$500k	693	\$ 477,883,978	\$ 87,491	\$ 88,366	\$ 89,250	\$ 90,142	\$ 91,044
Total-->	40,308	\$ 3,793,400,088	\$ 2,422,327	\$ 2,491,600	\$ 2,563,818	\$ 2,639,124	\$ 2,717,666

PROJECTED EXPENSES DETAIL

Annual Expenses	3/31/2014	3/31/2015	3/30/2016	3/31/2017	3/31/2018
Admin Fees Owed to GWRS	\$ 1,505,089	\$ 1,520,140	\$ 1,535,341	\$ 1,550,694	\$ 1,566,201
Salary/Related Costs	\$ 901,487	\$ 919,517	\$ 937,907	\$ 956,665	\$ 975,799
Consulting Costs	\$ 185,000	\$ 185,000	\$ 185,000	\$ 185,000	\$ 185,000
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	\$ 10,600
Office/Admin/Equipment	\$ 7,650	\$ 7,803	\$ 7,959	\$ 8,118	\$ 8,281
Total-->	\$ 2,847,062	\$ 2,870,788	\$ 2,895,051	\$ 2,951,658	\$ 2,977,020

The five-year review indicates that the five-year surplus amount is presently projected at \$1.16 million, slightly higher than the \$1.0 million projected in the prior quarter's report. As previously reported, our ten-year projections of the surplus indicate it may gradually decline in the outlying years before expanding again.

However, in the prior report, our calculations showed the decline reaching \$550,000 in the ninth year before expanding in the tenth year. Current projections indicate the decline reaching \$734,000 in the eight year before expanding in the ninth year.

The assumptions and forecast associated with the Plan's budget account are topics for consideration as part of review of the five-year Strategic Plan, as discussed in Board Report 13-24.

Submitted by: _____
Paul Makowski

Reviewed by: _____
Steven Montagna

Approved by: _____
Alejandrina Basquez

DEFERRED COMPENSATION PLAN QUARTERLY BUDGET REVIEW		
ADMINISTRATIVE AND OPERATING EXPENSES		
QUARTER ENDING 03/31/13		
STARTING BALANCE		
Payroll Fee Trust Fund Ending Balance - 12/31/12	\$	18,441
Administrative Fee Reserve Fund Balance - 12/31/12	\$	2,628,075
Total	\$	2,646,515
REVENUES/FEES		
Interest Earnings on Payroll Fee Trust Fund	\$	125
Payroll Fee Trust Fund Deposit: Travel	\$	(195)
Payroll Fee Trust Fund Deposit: Salary Reimbursements	\$	143,975
Interest Earnings on Administrative Fee Reserve Fund	\$	15,138
Revenue from Fees Deducted from Participant Accounts	\$	572,462
Miscellaneous Credits	\$	66,004
Total Revenue/Fees	\$	797,509
STARTING BALANCE + REVENUE/FEES	\$	3,444,025
EXPENDITURES		
2130 Travel/Training/Education	\$	(195)
4160 Governmental Meetings	\$	-
6010 Office and Administrative	\$	-
7300 Office Furniture & Equipment	\$	-
Participant Administrative Fees Paid to Great-West	\$	(372,704)
Unforeseen Emergency Withdrawal Service	\$	(28,250)
Prior Quarter Departmental Staffing Reimbursements	\$	(143,975)
Travel/Training/Education - Transfer to Payroll Fee Trust Fund	\$	-
Consulting Costs	\$	-
Special Mailing/Marketing Expenses	\$	-
GWRS Quarterly Fee - Asset Allocation Fund Management	\$	(14,250)
Wells Fargo Custodial Fees	\$	(1,250)
TOTAL EXPENDITURES	\$	(560,623)
Actual Payroll Fee Trust Fund Ending Balance (3/31/13)	\$	18,371
Actual Administrative Fee Reserve Fund Ending Balance (3/31/13)	\$	2,721,250
ACTUAL TOTAL BALANCE AS OF 3/31/13	\$	2,739,622
ENCUMBRANCES/LIABILITIES		
Reimbursements: 3 Mos. Ending 3/31/13	\$	(163,839)
TOTAL LIABILITIES	\$	(163,839)
ASSETS LESS EXPENDITURES/LIABILITIES \$ 2,575,783		
Personnel Reimbursement Summary - 3 Months Ending 3/31/13		
Personnel - Salaries + Related Costs @ 124.69%	\$	141,252.36
City Attorney - Salaries + Related Costs @ 76.46%	\$	22,586.25
Total Reimbursements	\$	163,838.61