

DEFERRED COMPENSATION PLAN BOARD REPORT 13-40

Date: December 9, 2013
To: Board of Deferred Compensation Administration
From: Staff
Subject: Deferred Compensation Plan Budget Status Report:
Quarter Ending 6/30/13

Members
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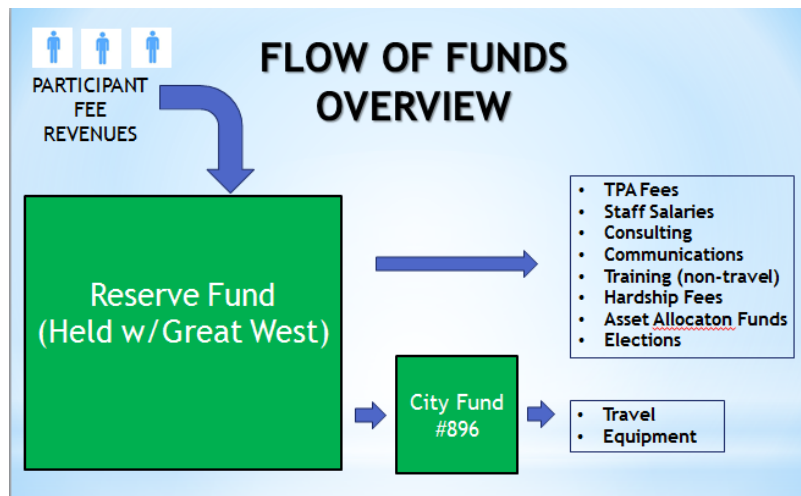
Recommendation:

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 **06/30/13**; and (b) for this same quarter, approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$146,149.49**; and City Attorney for **\$13,466.09**.

Discussion:

Reimbursements - Staff recommends reimbursement from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for \$146,149.49 and City Attorney for \$13,466.09 for the quarter ending 06/30/13. Quarterly activity in the Plan's revenue/expenditure accounts is included in Attachment I. Calculations for the current quarter 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 numbers for which 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. Indirect costs for Personnel and City Attorney are 143.69% and 58.56% respectively.

Reserve Fund Projection – All of the City's internal administrative costs are required to be paid by participant fees. Two accounts are used to pay expenses: a fund held with the Plan administrator which acts as a repository for participant fees and from which most Plan expenses are paid; and a fund held within the City, from which travel and equipment purchases are made, as illustrated in the following graphic:

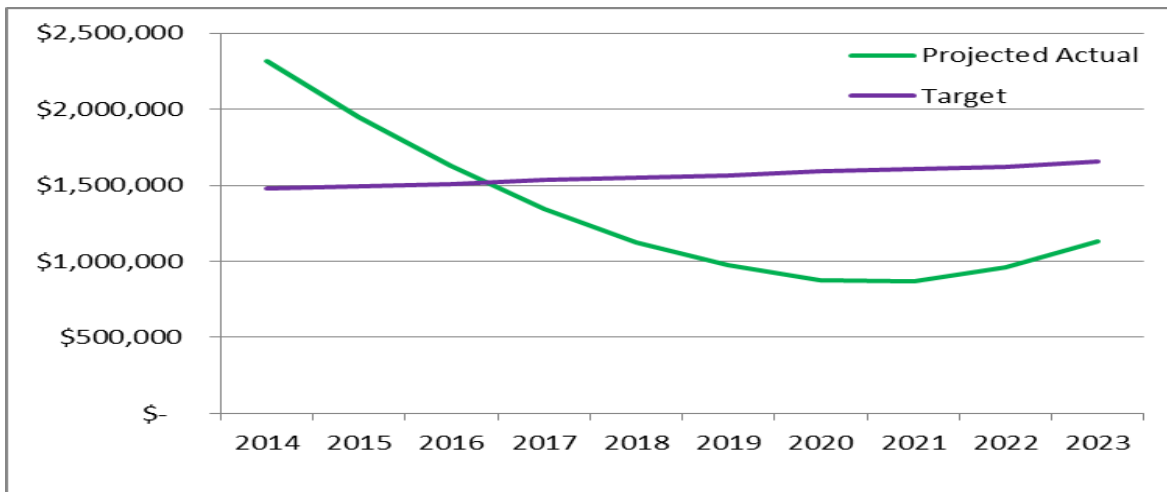


In order to maintain stability within the fee structure, the Plan maintains a reserve balance. The target reserve amount is 50% of annual Plan operating expenses. Each quarter when staff submits its accounting and recommendations for reimbursing administrative costs, a long-term projection is updated using assumptions for key variables that have been considered by the Board. This information is generated so that the Board can compare the long-term projected reserve to the target reserve.

At its November 2013 Strategic Plan meeting, the Board reviewed and modified its assumptions and key variables as reflected below:

<i>Expenses Inflation Adjustment Factor</i>	<i>Enrollment Adjustment Factor</i>	<i>Asset Growth Adjustment Factor</i>	<i>Stable Value Funds Interest Assumption</i>	<i>Basis Points Charged Against Participant Accounts</i>	<i>Fee Cap</i>	<i>Personnel Avg. Cap Rate</i>	<i>City Attorney Avg. Cap Rate</i>
2.0%	1.0%	6.5%	2.75%	0.10%	\$125	1.15	0.75

At this meeting it was agreed that staff’s reports would include a ten-year projection of the reserve fund balance. As a result, following is a rolling ten-year forecast of the Deferred Compensation Plan’s reserve fund balance. Supporting data for this chart is included in Attachment II.



This long-term review indicates that the projected actual reserve will fall below the target reserve, with the lowest balance amount in the range of \$870,000 before trending higher. As discussed at the Strategic Planning meeting, given that the adopted assumptions are conservative, staff does not find a basis for recommending change to the fee or expense structure at the present time.

Submitted by: _____
Paul Makowski

Reviewed by: _____
Steven Montagna

Approved by: _____
Alejandrina Basquez

DEFERRED COMPENSATION PLAN QUARTERLY BUDGET REVIEW		
ADMINISTRATIVE AND OPERATING EXPENSES		
QUARTER ENDING 06/30/13		
STARTING BALANCE		
Payroll Fee Trust Fund Ending Balance - 3/31/13	\$	18,371
Administrative Fee Reserve Fund Balance - 3/31/13	\$	2,721,250
Total	\$	2,739,622
REVENUES/FEES		
Interest Earnings on Payroll Fee Trust Fund	\$	185
Payroll Fee Trust Fund Deposit: Travel	\$	-
Payroll Fee Trust Fund Deposit: Salary Reimbursements	\$	159,404
Interest Earnings on Administrative Fee Reserve Fund	\$	14,297
Revenue from Fees Deducted from Participant Accounts	\$	585,781
Miscellaneous Credits	\$	131,898
Total Revenue/Fees	\$	891,566
TOTAL ASSETS (STARTING BALANCE + REVENUE/FEES)	\$	3,631,187
EXPENDITURES		
2130 Travel/Training/Education	\$	-
4160 Governmental Meetings	\$	-
6010 Office and Administrative	\$	-
7300 Office Furniture & Equipment	\$	-
Participant Administrative Fees Paid to Great-West	\$	(372,547)
Unforeseen Emergency Withdrawal Service	\$	(25,000)
Prior Quarter Departmental Staffing Reimbursements	\$	(159,404)
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	\$	(572,450)
Actual Payroll Fee Trust Fund Ending Balance (6/30/13)	\$	18,587
Actual Administrative Fee Reserve Fund Ending Balance (6/30/13)	\$	2,880,777
ACTUAL TOTAL BALANCE AS OF 6/30/13	\$	2,899,363
ENCUMBRANCES/LIABILITIES		
Department Reimbursement Summary - 3 Months Ending 6/30/13		
Personnel - Salaries + Related Costs @ 143.69%	\$	146,149.49
City Attorney - Salaries + Related Costs @ 58.56%	\$	13,466.09
Reimbursements: 3 Mos. Ending 6/30/13	\$	(159,616)
TOTAL LIABILITIES	\$	(159,616)
TOTAL ASSETS LESS LIABILITIES	\$	2,739,748

SUPPORTING DATA FOR PLAN RESERVE FUND PROJECTION

10-YEAR PROJECTION

Quarter Ending:	6/30/2014	6/30/2015	6/29/2016	6/30/2017	6/30/2018	6/30/2019	6/29/2020	6/30/2021	6/30/2022	6/30/2023
Starting Balance	\$ 2,739,748	\$ 2,319,091	\$ 1,947,251	\$ 1,630,068	\$ 1,342,062	\$ 1,120,915	\$ 973,983	\$ 877,416	\$ 870,638	\$ 963,084
Estimated Interest Earnings	\$ 82,192	\$ 69,573	\$ 58,418	\$ 48,902	\$ 40,262	\$ 33,627	\$ 29,219	\$ 26,322	\$ 26,322	\$ 26,322
Estimated Participant Fee Revenue	\$ 2,453,971	\$ 2,541,306	\$ 2,633,595	\$ 2,731,155	\$ 2,834,320	\$ 2,943,447	\$ 3,058,916	\$ 3,181,132	\$ 3,310,526	\$ 3,447,557
Estimated Total Revenue	\$ 2,536,163	\$ 2,610,878	\$ 2,692,013	\$ 2,780,057	\$ 2,874,582	\$ 2,977,074	\$ 3,088,135	\$ 3,207,455	\$ 3,336,849	\$ 3,473,879
Estimated Expenses	\$ (2,956,820)	\$ (2,982,718)	\$ (3,009,196)	\$ (3,068,063)	\$ (3,095,729)	\$ (3,124,006)	\$ (3,184,703)	\$ (3,214,232)	\$ (3,244,403)	\$ (3,307,028)
Difference between revenue/expenses	\$ (420,657)	\$ (371,840)	\$ (317,183)	\$ (288,006)	\$ (221,148)	\$ (146,932)	\$ (96,568)	\$ (6,777)	\$ 92,446	\$ 166,851
Estimated Surplus Balance	\$ 2,319,091	\$ 1,947,251	\$ 1,630,068	\$ 1,342,062	\$ 1,120,915	\$ 973,983	\$ 877,416	\$ 870,638	\$ 963,084	\$ 1,129,936
Reserve Target (50% Annual Operating Expenses)	\$ 1,478,410	\$ 1,491,359	\$ 1,504,598	\$ 1,534,031	\$ 1,547,865	\$ 1,562,003	\$ 1,592,352	\$ 1,607,116	\$ 1,622,201	\$ 1,653,514
Estimated Balance Over/Under Reserve	\$ 840,681	\$ 455,892	\$ 125,470	\$ (191,969)	\$ (426,950)	\$ (588,020)	\$ (714,936)	\$ (736,477)	\$ (659,117)	\$ (523,578)

PLAN EXPENSES

Annual Expenses	6/30/2014	6/30/2015	6/29/2016	6/30/2017	6/30/2018	6/30/2019	6/29/2020	6/30/2021	6/30/2022	6/30/2023
Admin Fees Owed to GWRS	\$ 1,507,404	\$ 1,522,478	\$ 1,537,703	\$ 1,553,080	\$ 1,568,610	\$ 1,584,296	\$ 1,600,139	\$ 1,616,141	\$ 1,632,302	\$ 1,648,625
Direct Salary Costs: Personnel	\$ 407,249	\$ 415,393.73	\$ 423,702	\$ 432,176	\$ 440,819	\$ 449,636	\$ 458,628	\$ 467,801	\$ 477,157	\$ 486,700
Direct Salary Costs: City Attorney	\$ 76,197	\$ 77,721.41	\$ 79,275.83	\$ 80,861.35	\$ 82,478.58	\$ 84,128.15	\$ 85,810.71	\$ 87,526.93	\$ 89,277.46	\$ 91,063.01
Indirect Related Costs: Personnel	\$ 468,336.06	\$ 477,702.78	\$ 487,256.84	\$ 497,001.98	\$ 506,942.02	\$ 517,080.86	\$ 527,422.47	\$ 537,970.92	\$ 548,730.34	\$ 559,704.95
Indirect Related Costs: City Attorney	\$ 57,148.09	\$ 58,291.05	\$ 59,456.88	\$ 60,646.01	\$ 61,858.93	\$ 63,096.11	\$ 64,358.03	\$ 65,645.19	\$ 66,958.10	\$ 68,297.26
Consulting Costs	\$ 185,000	\$ 185,000	\$ 185,000	\$ 185,000	\$ 185,000	\$ 185,000	\$ 185,000	\$ 185,000	\$ 185,000	\$ 185,000
Training/Education	\$ 54,636	\$ 55,729	\$ 56,843	\$ 57,980	\$ 59,140	\$ 60,323	\$ 61,529	\$ 62,760	\$ 64,015	\$ 65,295
Hardship Administration Costs	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Quarterly-Fee Allocation Funds	\$ 72,000	\$ 72,000	\$ 72,000	\$ 72,000	\$ 72,000	\$ 72,000	\$ 72,000	\$ 72,000	\$ 72,000	\$ 72,000
Election Administration	\$ 21,200	\$ 10,600	\$ -	\$ 21,200	\$ 10,600	\$ -	\$ 21,200	\$ 10,600	\$ -	\$ 21,200
Office/Admin/Equipment	\$ 7,650	\$ 7,803	\$ 7,959	\$ 8,118	\$ 8,281	\$ 8,446	\$ 8,615	\$ 8,787	\$ 8,963	\$ 9,142
Total-->	\$ 2,956,820	\$ 2,982,718	\$ 3,009,196	\$ 3,068,063	\$ 3,095,729	\$ 3,124,006	\$ 3,184,703	\$ 3,214,232	\$ 3,244,403	\$ 3,307,028