

# DEFERRED COMPENSATION PLAN BOARD REPORT 14-02

Date: January 14, 2014  
To: Board of Deferred Compensation Administration  
From: Staff  
Subject: Deferred Compensation Plan Budget Status Report:  
Quarter Ending 9/30/13

Members  
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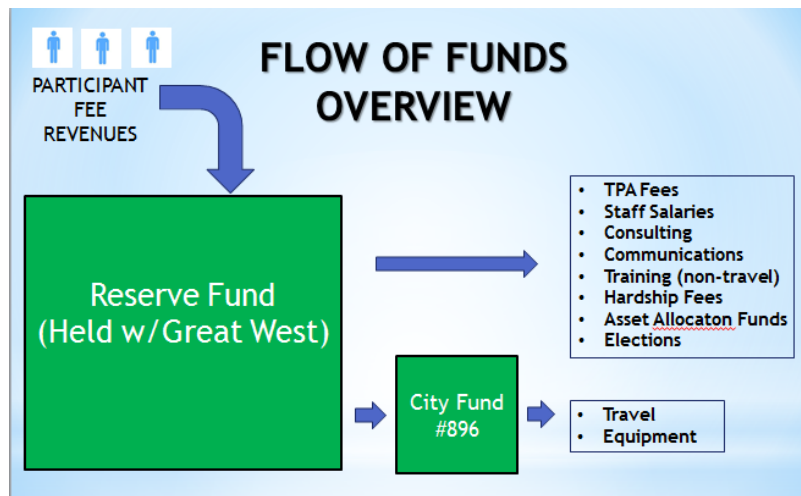
Recommendation:

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 **09/30/13**; and (b) for this same quarter, approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$172,854.22**; and City Attorney for **\$24,206.28**.

Discussion:

**Reimbursements** - Staff recommends reimbursement from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for \$172,854.22 and City Attorney for \$24,206.28 for the quarter ending 09/30/13. 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:

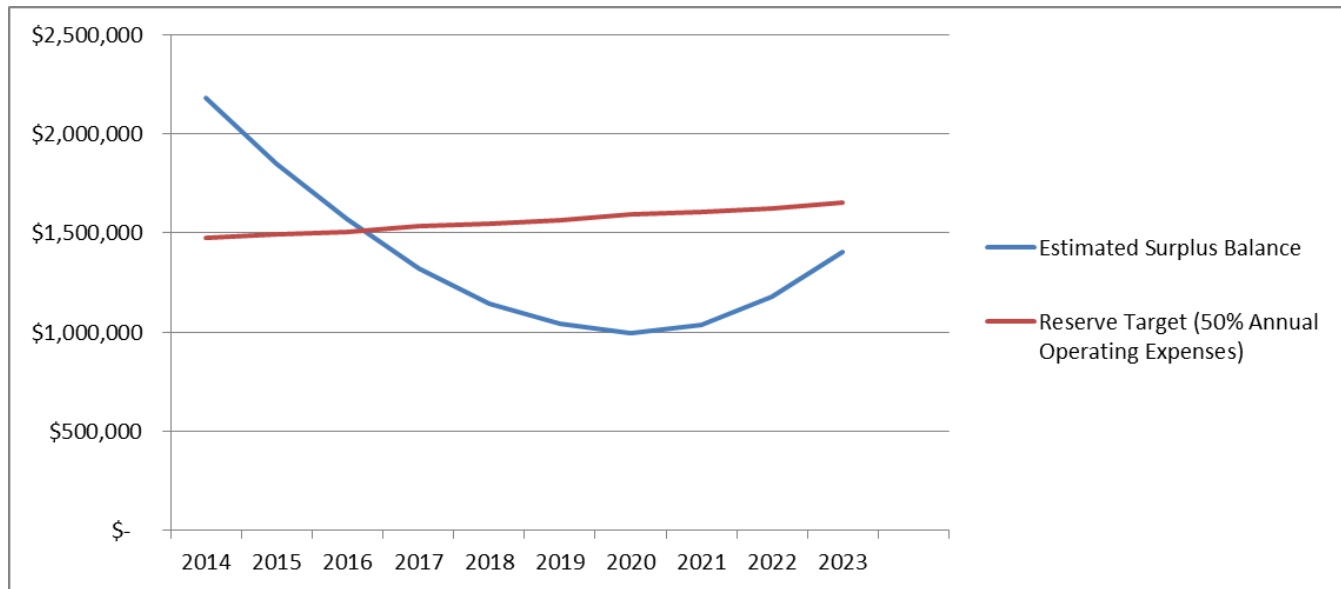


In order to maintain stability within the fee structure, the Plan maintains a reserve balance. The target reserve amount is 50% of annual Plan operating expenses. Each quarter when staff submits its accounting and recommendations for reimbursing administrative costs, a long-term projection is updated 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>
<b>2.0%</b>	<b>1.0%</b>	<b>6.5%</b>	<b>2.75%</b>	<b>0.10%</b>	<b>\$125</b>	<b>1.15</b>	<b>0.75</b>

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 \$993,000 before trending higher.

Submitted by: \_\_\_\_\_  
Paul Makowski

Reviewed by: \_\_\_\_\_  
Steven Montagna

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

DEFERRED COMPENSATION PLAN QUARTERLY BUDGET REVIEW		Prior Quarters			
ADMINISTRATIVE AND OPERATING EXPENSES		Ending	Ending	Ending	Ending
QUARTER ENDING 09/30/13		6/30/2013	3/31/2013	12/31/2012	9/30/2012
<b>STARTING BALANCE</b>					
Payroll Fee Trust Fund Ending Balance - 6/30/13	\$ 18,587	18,371	18,441	29,993	10,554
Administrative Fee Reserve Fund Balance - 6/30/13	\$ 2,880,777	2,721,250	2,628,075	2,664,868	2,924,034
<b>Total</b>	<b>\$ 2,899,363</b>	<b>2,739,621</b>	<b>2,646,516</b>	<b>2,694,861</b>	<b>2,934,588</b>
<b>REVENUES/FEES</b>					
Interest Earnings on Payroll Fee Trust Fund	\$ 50	185	125	177	680
Payroll Fee Trust Fund Deposit: Travel	\$ 47,920	-	(195)	-	27,000
Payroll Fee Trust Fund Deposit: Salary Reimbursements	\$ 163,839	159,404	143,975	119,409	427,647
Interest Earnings on Administrative Fee Reserve Fund	\$ 12,959	14,297	15,138	16,528	17,325
Revenue from Fees Deducted from Participant Accounts	\$ 594,549	585,781	572,462	572,453	556,001
Miscellaneous Credits	\$ 750	131,898	66,004	(74,760)	87,105
<b>Total Revenue/Fees</b>	<b>\$ 820,067</b>	<b>891,565</b>	<b>797,509</b>	<b>633,807</b>	<b>1,115,758</b>
<b>TOTAL ASSETS (STARTING BALANCE + REVENUE/FEES)</b>	<b>\$ 3,719,430</b>	<b>3,631,186</b>	<b>3,444,025</b>	<b>3,328,668</b>	<b>4,050,346</b>
<b>EXPENDITURES</b>					
2130 Travel/Training/Education	\$ (8,254)	-	(195)	(11,729)	(8,256)
4160 Governmental Meetings	\$ -	-	-	-	-
6010 Office and Administrative	\$ -	-	-	-	-
7300 Office Furniture & Equipment	\$ -	-	-	-	-
Participant Administrative Fees Paid to Great-West	\$ (373,120)	(372,547)	(372,704)	(371,937)	(372,732)
Unforeseen Emergency Withdrawal Service	\$ (24,750)	(25,000)	(28,250)	(26,250)	(32,000)
Prior Quarter Departmental Staffing Reimbursements : 03/31/13	\$ (163,839)	(159,404)	(143,975)	(137,328)	(427,647)
Travel/Training/Education - Transfer to Payroll Fee Trust Fund	\$ (47,920)	-	-	-	(27,000)
Consulting Costs	\$ -	-	-	-	(8,061)
Special Mailing/Marketing Expenses	\$ -	-	-	-	(7,753)
GWRS Quarterly Fee - Asset Allocation Fund Management	\$ (14,250)	(14,250)	(14,250)	(14,250)	(43,154)
Wells Fargo Custodial Fees	\$ (1,250)	(1,250)	(1,250)	(1,250)	(1,250)
<b>TOTAL EXPENDITURES</b>	<b>\$ (633,383)</b>	<b>(572,450)</b>	<b>(560,624)</b>	<b>(562,744)</b>	<b>(927,853)</b>
Actual Payroll Fee Trust Fund Ending Balance (9/30/13)	\$ 58,302	18,587	18,371	18,441	29,993
Actual Administrative Fee Reserve Fund Ending Balance (9/30/13)	\$ 2,863,906	2,880,777	2,721,250	2,628,075	2,664,868
<b>ACTUAL TOTAL BALANCE AS OF 9/30/13</b>	<b>\$ 2,922,209</b>	<b>2,899,363</b>	<b>2,739,621</b>	<b>2,646,516</b>	<b>2,694,861</b>
<b>ENCUMBRANCES/LIABILITIES</b>					
Prior Quarter Departmental Staffing Reimbursements : 06/30/13	\$ (159,615.58)	(163,839)	(159,404)	(143,975)	(119,409)
Current Quarter: Personnel - Salaries + Related Costs @ 143.69%	\$ (172,854.22)	(146,149)	(141,252)	(125,468)	(232,290)
Current Quarter: City Attorney - Salaries + Related Costs @ 58.56%	\$ (24,206.28)	(13,466)	(22,586)	(33,935)	(31,094)
<b>TOTAL LIABILITIES</b>	<b>\$ (356,676)</b>	<b>(323,455)</b>	<b>(323,243)</b>	<b>(303,379)</b>	<b>(382,792)</b>
<b>TOTAL ASSETS LESS LIABILITIES</b>					
<b>\$ 2,565,533</b>	<b>2,575,908</b>	<b>2,416,378</b>	<b>2,343,137</b>	<b>2,312,069</b>	

## SUPPORTING DATA FOR PLAN RESERVE FUND PROJECTION

### 10-YEAR PROJECTION

Quarter Ending:	9/30/2014	9/30/2015	9/29/2016	9/30/2017	9/30/2018	9/30/2019	9/29/2020	9/30/2021	9/30/2022	9/30/2023
<b>Starting Balance</b>	\$ 2,565,533	\$ 2,180,024	\$ 1,845,592	\$ 1,568,003	\$ 1,321,690	\$ 1,144,301	\$ 1,043,069	\$ 993,993	\$ 1,036,403	\$ 1,179,331
<b>Estimated Interest Earnings</b>	\$ 70,552	\$ 59,951	\$ 50,754	\$ 43,120	\$ 36,346	\$ 31,468	\$ 28,684	\$ 27,335	\$ 28,501	\$ 32,432
<b>Estimated Participant Fee Revenue</b>	\$ 2,498,774	\$ 2,586,327	\$ 2,678,822	\$ 2,776,573	\$ 2,879,915	\$ 2,989,202	\$ 3,104,813	\$ 3,227,153	\$ 3,356,649	\$ 3,493,761
<b>Estimated Total Revenue</b>	\$ 2,569,327	\$ 2,646,278	\$ 2,729,576	\$ 2,819,693	\$ 2,916,261	\$ 3,020,670	\$ 3,133,498	\$ 3,254,487	\$ 3,385,151	\$ 3,526,193
<b>Estimated Expenses</b>	\$(2,954,835)	\$(2,980,710)	\$(3,007,164)	\$(3,066,007)	\$(3,093,650)	\$(3,121,902)	\$(3,182,574)	\$(3,212,077)	\$(3,242,223)	\$(3,304,822)
Difference between revenue/expenses	\$ (385,509)	\$ (334,432)	\$ (277,588)	\$ (246,314)	\$ (177,389)	\$ (101,232)	\$ (49,076)	\$ 42,410	\$ 142,927	\$ 221,370
<b>Estimated Surplus Balance</b>	\$ 2,180,024	\$ 1,845,592	\$ 1,568,003	\$ 1,321,690	\$ 1,144,301	\$ 1,043,069	\$ 993,993	\$ 1,036,403	\$ 1,179,331	\$ 1,400,701
<b>Reserve Target (50% Annual Operating Expenses)</b>	\$ 1,477,418	\$ 1,490,355	\$ 1,503,582	\$ 1,533,004	\$ 1,546,825	\$ 1,560,951	\$ 1,591,287	\$ 1,606,039	\$ 1,621,112	\$ 1,652,411
<b>Estimated Balance Over/Under Reserve</b>	\$ 702,606	\$ 355,237	\$ 64,421	\$ (211,314)	\$ (402,524)	\$ (517,881)	\$ (597,294)	\$ (569,635)	\$ (441,781)	\$ (251,710)

### PLAN EXPENSES

Annual Expenses	9/30/2014	9/30/2015	9/29/2016	9/30/2017	9/30/2018	9/30/2019	9/29/2020	9/30/2021	9/30/2022	9/30/2023
Admin Fees Owed to GWRS	\$ 1,505,761	\$ 1,520,818	\$ 1,536,027	\$ 1,551,387	\$ 1,566,901	\$ 1,582,570	\$ 1,598,395	\$ 1,614,379	\$ 1,630,523	\$ 1,646,828
Direct Salary Costs: Personnel	\$ 407,147	\$ 415,290	\$ 423,595	\$ 432,067	\$ 440,709	\$ 449,523	\$ 458,513	\$ 467,684	\$ 477,037	\$ 486,578
Direct Salary Costs: City Attorney	\$ 76,127	\$ 77,650	\$ 79,203	\$ 80,787	\$ 82,403	\$ 84,051	\$ 85,732	\$ 87,447	\$ 89,195	\$ 90,979
Indirect Related Costs: Personnel	\$ 468,219	\$ 477,583	\$ 487,135	\$ 496,877	\$ 506,815	\$ 516,951	\$ 527,290	\$ 537,836	\$ 548,593	\$ 559,565
Indirect Related Costs: City Attorney	\$ 57,096	\$ 58,238	\$ 59,402	\$ 60,590	\$ 61,802	\$ 63,038	\$ 64,299	\$ 65,585	\$ 66,897	\$ 68,235
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
<b>Total--&gt;</b>	\$ 2,954,835	\$ 2,980,710	\$ 3,007,164	\$ 3,066,007	\$ 3,093,650	\$ 3,121,902	\$ 3,182,574	\$ 3,212,077	\$ 3,242,223	\$ 3,304,822