

DEFERRED COMPENSATION PLAN BOARD REPORT 14-25

Date: June 5, 2014
To: Board of Deferred Compensation Administration
From: Staff
Subject: Deferred Compensation Plan Budget Status Report:
Quarter Ending 12/31/13

Members
Eugene K. Canzano, Chairperson
John R. Mumma, Vice-Chairperson
Cliff Cannon, First Provisional Chair
Tom Moutes, Second Provisional Chair
Michael Amerian
Ray Ciranna
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Robert Schoonover
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Recommendation:

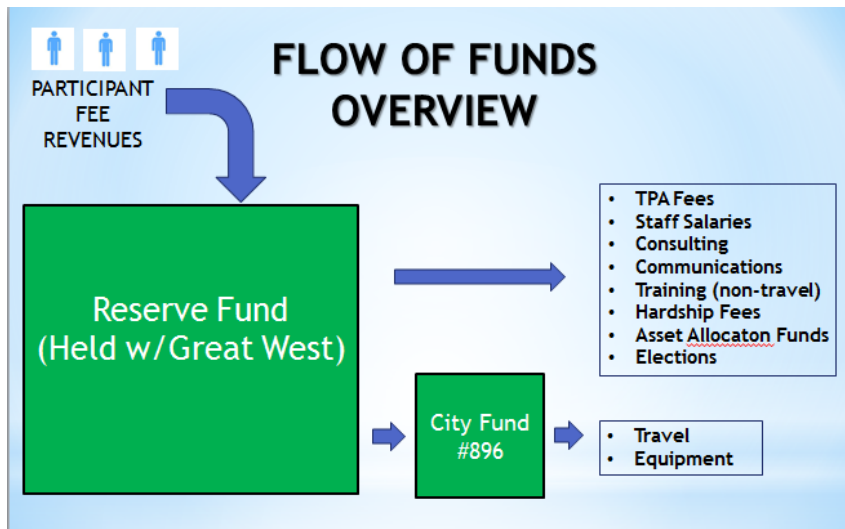
That the Board of Deferred Compensation Administration (a) receive and file the following status report on Deferred Compensation Plan budget accounts for the quarter ending **12/31/13**; and (b) for this same quarter, approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$155,517.66**; and City Attorney for **\$17,192.61**.

Discussion:

Reimbursements - Staff recommends reimbursement from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for \$155,517.66 and City Attorney for \$17,192.61 for the quarter ending 12/31/13. 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 graphic on the right.

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

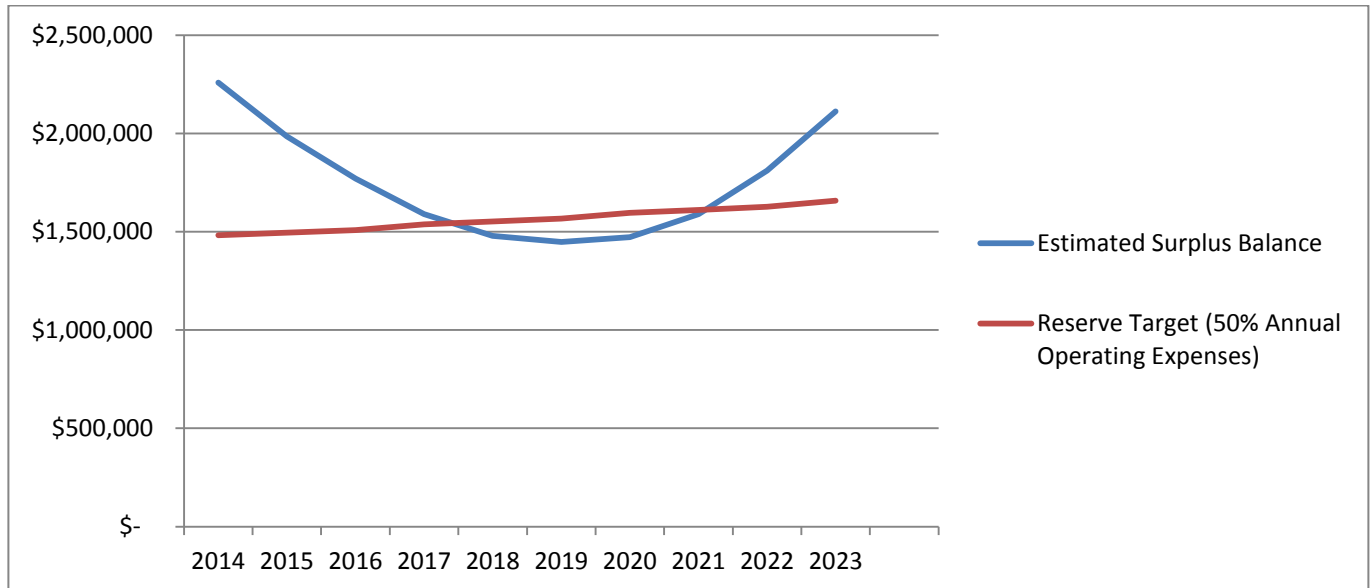


assumptions for key variables that have been considered by the Board. This information is generated so that the Board can compare the long-term projected reserve to the target reserve.

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 \$1,448,000 before trending higher.

Submitted by: _____
Paul Makowski

Approved by: _____
Steven Montagna

DEFERRED COMPENSATION PLAN QUARTERLY BUDGET REVIEW		Prior Quarters				
ADMINISTRATIVE AND OPERATING EXPENSES		Ending	Ending	Ending	Ending	
QUARTER ENDING 12/31/13		9/30/2013	6/30/2013	3/31/2013	12/31/2012	
STARTING BALANCE						
Payroll Fee Trust Fund Ending Balance - 9/30/13	\$ 58,302	18,587	18,371	18,441	29,993	
Administrative Fee Reserve Fund Balance - 9/30/13	\$ 2,863,906	2,880,777	2,721,250	2,628,075	2,664,868	
Total	\$ 2,922,209	2,899,364	2,739,621	2,646,516	2,694,861	
REVENUES/FEES						
Interest Earnings on Payroll Fee Trust Fund	\$ 115	50	185	125	177	
Payroll Fee Trust Fund Deposit: Travel	\$ -	47,920	-	(195)	-	
Payroll Fee Trust Fund Deposit: Salary Reimbursements	\$ 159,616	163,839	159,404	143,975	119,409	
Interest Earnings on Administrative Fee Reserve Fund	\$ 12,469	12,959	14,297	15,138	16,528	
Revenue from Fees Deducted from Participant Accounts	\$ 606,738	594,549	585,781	572,462	572,453	
Miscellaneous Credits	\$ 1	750	131,898	66,004	(74,760)	
Total Revenue/Fees	\$ 778,940	820,067	891,565	797,509	633,807	
TOTAL ASSETS (STARTING BALANCE + REVENUE/FEES)		\$ 3,701,148	3,719,431	3,631,186	3,444,025	3,328,668
EXPENDITURES						
2130 Travel/Training/Education	\$ (15,592)	(8,254)	-	(195)	(11,729)	
4160 Governmental Meetings	\$ -	-	-	-	-	
6010 Office and Administrative	\$ -	-	-	-	-	
7300 Office Furniture & Equipment	\$ -	-	-	-	-	
Participant Administrative Fees Paid to Great-West	\$ (375,079)	(373,120)	(372,547)	(372,704)	(371,937)	
Unforeseen Emergency Withdrawal Service	\$ (24,500)	(24,750)	(25,000)	(28,250)	(26,250)	
Prior Quarter Departmental Staffing Reimbursements : 06/30/13*	\$ (160,216)	(163,839)	(159,404)	(143,975)	(137,328)	
Travel/Training/Education - Transfer to Payroll Fee Trust Fund	\$ (1,308)	(47,920)	-	-	-	
Consulting Costs**	\$ (139,584)	-	-	-	-	
Special Mailing/Marketing Expenses	\$ (15,000)	-	-	-	-	
GWRS Quarterly Fee - Asset Allocation Fund Management	\$ (14,250)	(14,250)	(14,250)	(14,250)	(14,250)	
Wells Fargo Custodial Fees	\$ (1,250)	(1,250)	(1,250)	(1,250)	(1,250)	
TOTAL EXPENDITURES	\$ (746,779)	(633,383)	(572,450)	(560,624)	(562,744)	
Actual Payroll Fee Trust Fund Ending Balance (12/31/13)	\$ 202,456	58,302	18,587	18,371	18,441	
Actual Administrative Fee Reserve Fund Ending Balance (12/31/13)	\$ 2,751,928	2,863,906	2,880,777	2,721,250	2,628,075	
ACTUAL TOTAL BALANCE AS OF 12/31/13		\$ 2,954,384	2,922,209	2,899,363	2,739,621	2,646,516
ENCUMBRANCES/LIABILITIES						
Prior Quarter Departmental Staffing Reimbursements : 09/30/13	\$ (197,060.50)	(159,616)	(163,839)	(159,404)	(143,975)	
Current Quarter: Personnel - Salaries + Related Costs @ 143.69%	\$ (155,517.66)	(172,854)	(146,149)	(141,252)	(125,468)	
Current Quarter: City Attorney - Salaries + Related Costs @ 58.56%	\$ (17,192.61)	(24,206)	(13,466)	(22,586)	(33,935)	
TOTAL LIABILITIES	\$ (369,771)	(356,676)	(323,455)	(323,243)	(303,379)	
TOTAL ASSETS LESS LIABILITIES		\$ 2,584,614	2,565,533	2,575,908	2,416,378	2,343,137
* Includes NAGDCA dues totaling \$600 and salary reimbursement of \$159,616						
** Payment of consulting invoices was delayed due to execution of contract; this amount reflects all previously unpaid invoices						

SUPPORTING DATA FOR PLAN RESERVE FUND PROJECTION

10- YEAR PROJECTIONS

Quarter Ending:	12/31/2014	12/31/2015	12/30/2016	12/31/2017	12/31/2018	12/31/2019	12/30/2020	12/31/2021	12/31/2022	12/31/2023
Starting Balance	\$ 2,584,614	\$ 2,257,927	\$ 1,984,454	\$ 1,770,025	\$ 1,589,135	\$ 1,479,503	\$ 1,448,427	\$ 1,471,978	\$ 1,589,559	\$ 1,810,274
Estimated Interest Earnings	\$ 71,077	\$ 62,093	\$ 54,572	\$ 48,676	\$ 43,701	\$ 40,686	\$ 39,832	\$ 40,479	\$ 43,713	\$ 49,783
Estimated Participant Fee Revenue	\$ 2,566,594	\$ 2,654,833	\$ 2,748,022	\$ 2,846,475	\$ 2,950,525	\$ 3,060,529	\$ 3,176,865	\$ 3,299,937	\$ 3,430,174	\$ 3,568,035
Estimated Total Revenue	\$ 2,637,671	\$ 2,716,926	\$ 2,802,595	\$ 2,895,151	\$ 2,994,226	\$ 3,101,215	\$ 3,216,697	\$ 3,340,416	\$ 3,473,887	\$ 3,617,817
Estimated Expenses	\$(2,964,358)	\$(2,990,400)	\$(3,017,024)	\$(3,076,040)	\$(3,103,859)	\$(3,132,290)	\$(3,193,146)	\$(3,222,836)	\$(3,253,172)	\$(3,315,964)
Difference between revenue/expenses	\$ (326,687)	\$ (273,473)	\$ (214,429)	\$ (180,890)	\$ (109,633)	\$ (31,075)	\$ 23,551	\$ 117,580	\$ 220,716	\$ 301,853
Estimated Surplus Balance	\$ 2,257,927	\$ 1,984,454	\$ 1,770,025	\$ 1,589,135	\$ 1,479,503	\$ 1,448,427	\$ 1,471,978	\$ 1,589,559	\$ 1,810,274	\$ 2,112,127
Reserve Target (50% Annual Operating Expenses)	\$ 1,482,179	\$ 1,495,200	\$ 1,508,512	\$ 1,538,020	\$ 1,551,929	\$ 1,566,145	\$ 1,596,573	\$ 1,611,418	\$ 1,626,586	\$ 1,657,982
Estimated Balance Over/Under Reserve	\$ 775,748	\$ 489,254	\$ 261,513	\$ 51,115	\$ (72,427)	\$ (117,718)	\$ (124,595)	\$ (21,859)	\$ 183,688	\$ 454,145

PLAN EXPENSES

Annual Expenses	12/31/2014	12/31/2015	12/30/2016	12/31/2017	12/31/2018	12/31/2019	12/30/2020	12/31/2021	12/31/2022	12/31/2023
Admin Fees Owed to GWRS	\$ 1,508,113	\$ 1,523,194	\$ 1,538,426	\$ 1,553,810	\$ 1,569,349	\$ 1,585,042	\$ 1,600,892	\$ 1,616,901	\$ 1,633,070	\$ 1,649,401
Direct Salary Costs: Personnel	\$ 408,461.09	\$ 416,630	\$ 424,963	\$ 433,462	\$ 442,131	\$ 450,974	\$ 459,994	\$ 469,193	\$ 478,577	\$ 488,149
Direct Salary Costs: City Attorney	\$ 78,609.89	\$ 80,182	\$ 81,786	\$ 83,421	\$ 85,090	\$ 86,792	\$ 88,528	\$ 90,298	\$ 92,104	\$ 93,946
Indirect Related Costs: Personnel	\$ 469,730	\$ 479,125	\$ 488,707	\$ 498,481	\$ 508,451	\$ 518,620	\$ 528,993	\$ 539,572	\$ 550,364	\$ 561,371
Indirect Related Costs: City Attorney	\$ 58,957	\$ 60,137	\$ 61,339	\$ 62,566	\$ 63,817	\$ 65,094	\$ 66,396	\$ 67,724	\$ 69,078	\$ 70,460
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-->	\$ 2,964,358	\$ 2,990,400	\$ 3,017,024	\$ 3,076,040	\$ 3,103,859	\$ 3,132,290	\$ 3,193,146	\$ 3,222,836	\$ 3,253,172	\$ 3,315,964