

Deferred Compensation Plan BOARD REPORT 14-58

Date: December 4, 2014
To: Board of Deferred Compensation Administration
From: Staff
Subject: Deferred Compensation Plan Budget Status
Report: Quarters Ending 06/30/14

*Board of Deferred
Compensation Administration*
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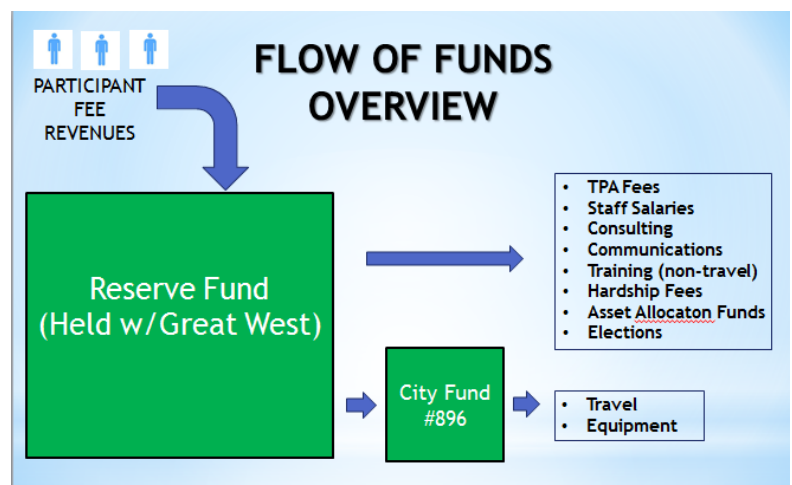
Recommendation:

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 **06/30/14**; and (b) approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$135,262.02**, and City Attorney for **\$28,127.26**.

Discussion:

Reimbursements - Staff recommends reimbursement from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for \$135,262.02 and City Attorney for \$28,127.26 for the quarter ending 6/30/14. 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, using CAP 35 figures. 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.

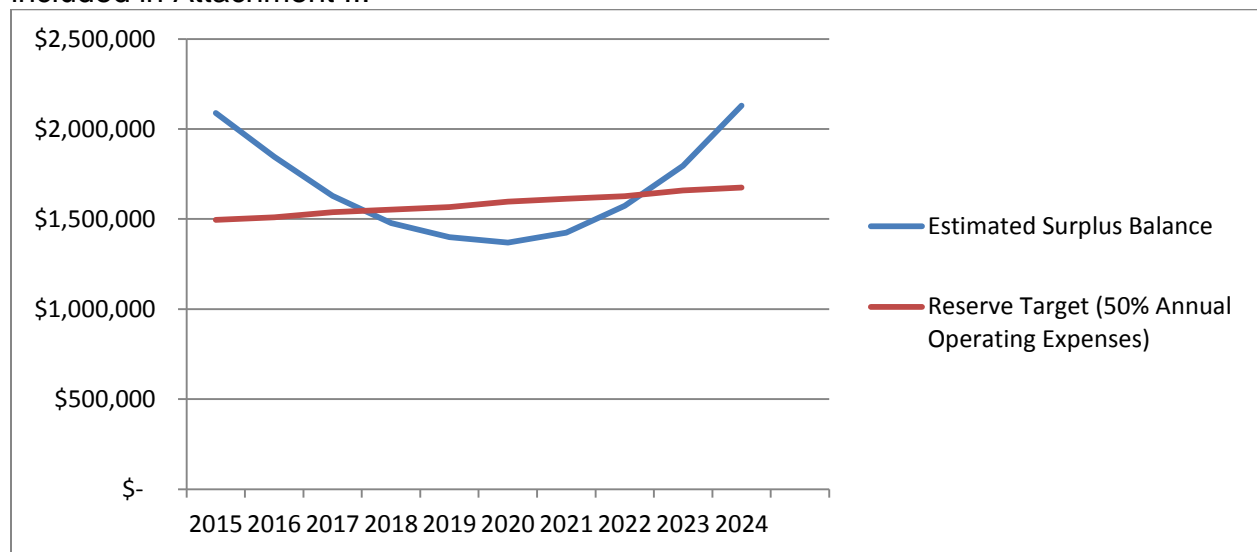


In order to maintain stability within the fee structure, the Plan maintains a reserve balance. The target reserve amount is 50% of annual Plan operating expenses. Each quarter when staff submits its accounting and recommendations for reimbursing administrative costs, a long-term projection is updated 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 \$1,368,000 before trending higher.

Submitted by: _____
Paul Makowski

Approved by: _____
Steven Montagna

SUPPORTING DATA FOR PLAN RESERVE FUND PROJECTION

DEFERRED COMPENSATION PLAN QUARTERLY BUDGET REVIEW		Prior Quarters			
ADMINISTRATIVE AND OPERATING EXPENSES		Ending	Ending	Ending	Ending
QUARTER ENDING 6/30/14		3/31/2014	12/31/2013	9/30/2013	6/30/2013
STARTING BALANCE					
Payroll Fee Trust Fund Ending Balance - 3/31/14	\$ 42,240	202,456	58,302	18,587	18,371
Administrative Fee Reserve Fund Balance - 3/31/14	\$ 2,689,594	2,751,928	2,863,906	2,880,777	2,721,250
Total	\$ 2,731,834	2,954,384	2,922,208	2,899,364	2,739,621
REVENUES/FEES					
Interest Earnings on Payroll Fee Trust Fund	\$ 225	214	115	50	185
Payroll Fee Trust Fund Deposit: Travel	\$ -	-	-	47,920	-
Payroll Fee Trust Fund Deposit: Salary Reimbursements	\$ -	197,061	159,616	163,839	159,404
Interest Earnings on Administrative Fee Reserve Fund	\$ 10,695	10,425	12,469	12,959	14,297
Revenue from Fees Deducted from Participant Accounts	\$ 624,942	615,503	606,738	594,549	585,781
Miscellaneous Credits	\$ -	-	1	750	131,898
Total Revenue/Fees	\$ 635,861	823,202	778,940	820,067	891,565
TOTAL ASSETS (STARTING BALANCE + REVENUE/FEES)	\$ 3,367,695	3,777,587	3,701,148	3,719,431	3,631,186
EXPENDITURES					
2130 Travel/Training/Education	\$ (398)	(860)	(15,592)	(8,254)	-
4160 Governmental Meetings	\$ -	-	-	-	-
6010 Office and Administrative	\$ -	-	-	-	-
7300 Office Furniture & Equipment	\$ -	-	-	-	-
Participant Administrative Fees Paid to Great-West	\$ (374,330)	(373,295)	(375,079)	(373,120)	(372,547)
Unforeseen Emergency Withdrawal Service	\$ (16,750)	(22,750)	(24,500)	(24,750)	(25,000)
Prior Quarter Departmental Staffing Reimbursements : 12/31/13	\$ (172,710)	(197,061)	(160,216)	(163,839)	(159,404)
Travel/Training/Education - Transfer to Payroll Fee Trust Fund	\$ -	-	(1,308)	(47,920)	-
Consulting Costs	\$ (59,558)	(19,574)	(139,584)	-	-
Special Mailing/Marketing Expenses	\$ -	(60,082)	(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	\$ (639,247)	(689,122)	(746,779)	(633,383)	(572,450)
Actual Payroll Fee Trust Fund Ending Balance (6/30/14)	\$ 42,082	42,240	202,456	58,302	18,587
Actual Administrative Fee Reserve Fund Ending Balance (6/30/14)	\$ 2,686,381	2,689,594	2,751,928	2,863,906	2,880,777
ACTUAL TOTAL BALANCE AS OF 3/31/14	\$ 2,728,463	2,731,834	2,954,384	2,922,209	2,899,363
ENCUMBRANCES/LIABILITIES					
Prior Quarter Departmental Staffing Reimbursements: 3/31/14	\$ (178,140.00)	(172,710)	(197,061)	(159,616)	(163,839)
Current Quarter: Personnel - Salaries + Related Costs @ 143.69%	\$ (135,262.02)	(155,050)	(155,518)	(172,854)	(146,149)
Current Quarter: City Attorney - Salaries + Related Costs @ 58.56%	\$ (28,127.26)	(23,090)	(17,193)	(24,206)	(13,466)
TOTAL LIABILITIES	\$ (341,529)	(350,851)	(369,771)	(356,676)	(323,455)
TOTAL ASSETS LESS LIABILITIES					
\$ 2,386,934	2,380,983	2,584,614	2,565,533	2,575,908	

SUPPORTING DATA FOR PLAN RESERVE FUND PROJECTION

10 YEAR PROJECTIONS

\Quarter Ending:	6/30/2015	6/29/2016	6/29/2017	6/30/2018	6/30/2019	6/29/2020	6/29/2021	6/30/2022	6/30/2023	6/29/2024
Starting Balance	\$ 2,386,934	\$ 2,089,057	\$ 1,845,112	\$ 1,629,141	\$ 1,478,377	\$ 1,399,599	\$ 1,368,319	\$ 1,423,342	\$ 1,573,134	\$ 1,795,010
Estimated Interest Earnings	\$ 65,641	\$ 57,449	\$ 50,741	\$ 44,801	\$ 40,655	\$ 38,489	\$ 37,629	\$ 39,142	\$ 43,261	\$ 49,363
Estimated Participant Fee Revenue	\$ 2,627,142	\$ 2,715,963	\$ 2,809,738	\$ 2,908,781	\$ 3,013,425	\$ 3,124,028	\$ 3,240,966	\$ 3,364,645	\$ 3,495,493	\$ 3,633,967
Estimated Total Revenue	\$ 2,692,783	\$ 2,773,412	\$ 2,860,479	\$ 2,953,582	\$ 3,054,081	\$ 3,162,517	\$ 3,278,595	\$ 3,403,787	\$ 3,538,754	\$ 3,683,330
Estimated Expenses	\$(2,990,659)	\$(3,017,357)	\$(3,076,449)	\$(3,104,346)	\$(3,132,859)	\$(3,193,797)	\$(3,223,572)	\$(3,253,995)	\$(3,316,878)	\$(3,348,632)
Difference between revenue/expenses	\$ (297,877)	\$ (243,945)	\$ (215,971)	\$ (150,764)	\$ (78,778)	\$ (31,280)	\$ 55,023	\$ 149,791	\$ 221,876	\$ 334,698
Estimated Surplus Balance	\$ 2,089,057	\$ 1,845,112	\$ 1,629,141	\$ 1,478,377	\$ 1,399,599	\$ 1,368,319	\$ 1,423,342	\$ 1,573,134	\$ 1,795,010	\$ 2,129,707
Reserve Target (50% Annual Operating Expenses)	\$ 1,495,330	\$ 1,508,679	\$ 1,538,225	\$ 1,552,173	\$ 1,566,429	\$ 1,596,898	\$ 1,611,786	\$ 1,626,998	\$ 1,658,439	\$ 1,674,316
Estimated Balance Over/Under Reserve	\$ 593,727	\$ 336,433	\$ 90,917	\$ (73,796)	\$ (166,830)	\$ (228,579)	\$ (188,444)	\$ (53,864)	\$ 136,571	\$ 455,391

PLAN EXPENSES

Annual Expenses	6/30/2015	6/29/2016	6/29/2017	6/30/2018	6/30/2019	6/29/2020	6/29/2021	6/30/2022	6/30/2023	6/29/2024
Admin Fees Owed to GWRS	\$ 1,516,328	\$ 1,531,491	\$ 1,546,806	\$ 1,562,274	\$ 1,577,897	\$ 1,593,676	\$ 1,609,613	\$ 1,625,709	\$ 1,641,966	\$ 1,658,385
Direct Salary Costs: Personnel	\$ 421,319.30	\$ 429,746	\$ 438,341	\$ 447,107	\$ 456,050	\$ 465,171	\$ 474,474	\$ 483,963	\$ 493,643	\$ 503,516
Direct Salary Costs: City Attorney	\$ 79,205.10	\$ 80,789	\$ 82,405	\$ 84,053	\$ 85,734	\$ 87,449	\$ 89,198	\$ 90,982	\$ 92,801	\$ 94,657
Indirect Related Costs: Personnel	\$ 484,517	\$ 494,208	\$ 504,092	\$ 514,174	\$ 524,457	\$ 534,946	\$ 545,645	\$ 556,558	\$ 567,689	\$ 579,043
Indirect Related Costs: City Attorney	\$ 59,404	\$ 60,592	\$ 61,804	\$ 63,040	\$ 64,301	\$ 65,587	\$ 66,898	\$ 68,236	\$ 69,601	\$ 70,993
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	\$ 10,600	\$ -	\$ 21,200	\$ 10,600	\$ -	\$ 21,200	\$ 10,600	\$ -	\$ 21,200	\$ 10,600
Office/Admin/Equipment	\$ 7,650	\$ 7,803	\$ 7,959	\$ 8,118	\$ 8,281	\$ 8,446	\$ 8,615	\$ 8,787	\$ 8,963	\$ 9,142
Total-->	\$ 2,990,659	\$ 3,017,357	\$ 3,076,449	\$ 3,104,346	\$ 3,132,859	\$ 3,193,797	\$ 3,223,572	\$ 3,253,995	\$ 3,316,878	\$ 3,348,632