

Deferred Compensation Plan BOARD REPORT 15-04

Date: January 6, 2015
To: Board of Deferred Compensation Administration
From: Staff
Subject: Deferred Compensation Plan Budget Status
Report: Quarters Ending 09/30/14

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Compensation Administration
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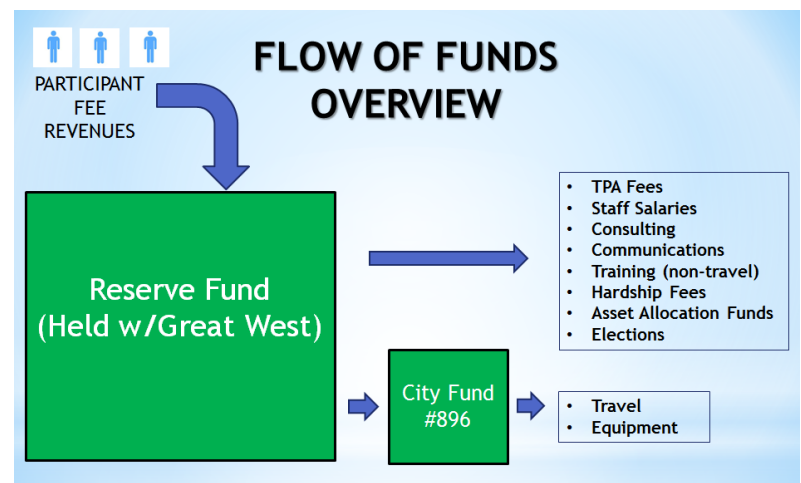
Recommendation:

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 **09/30/14**; and (b) approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$146,044.25**, and City Attorney for **\$38,683.95**.

Discussion:

Reimbursements - Staff recommends reimbursement from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for \$146,044.25 and City Attorney for \$38,683.95 for the quarter ending 9/30/14. 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.

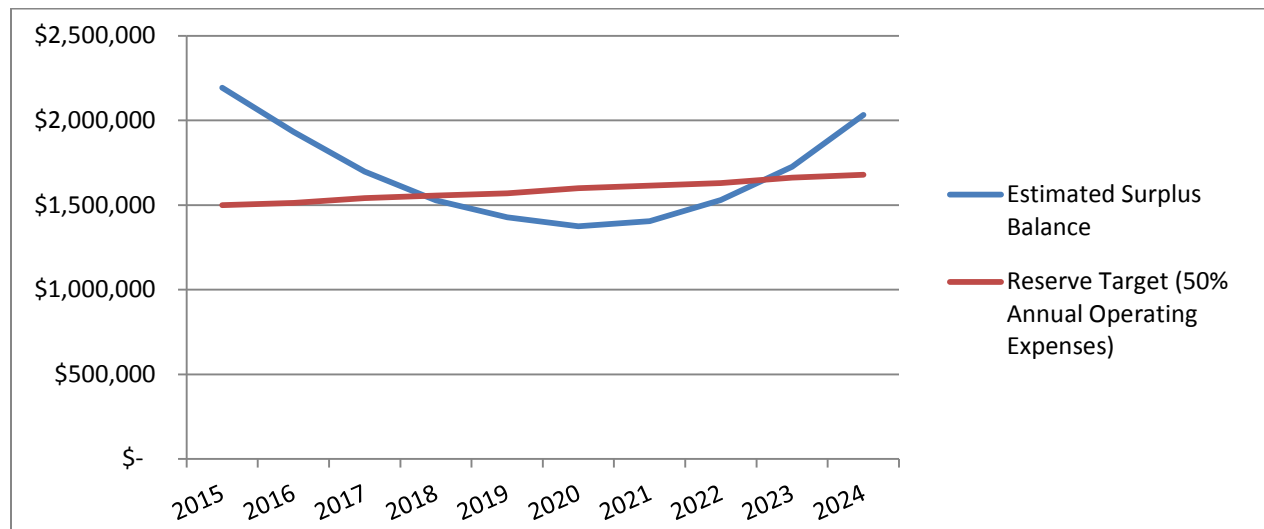
Deferred Compensation Plan

BOARD REPORT 15-04

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 \$1,374,000 before trending higher.

Submitted by: _____
Paul Makowski

Reviewed by: _____
Esther Chang

Approved by: _____
Steven Montagna

SUPPORTING DATA FOR PLAN RESERVE FUND PROJECTION

DEFERRED COMPENSATION PLAN QUARTERLY BUDGET REVIEW		Prior Quarters			
ADMINISTRATIVE AND OPERATING EXPENSES QUARTER ENDING 9/30/14		Ending 6/30/2014	Ending 3/31/2014	Ending 12/31/2013	Ending 9/30/2013
STARTING BALANCE					
Payroll Fee Trust Fund Ending Balance - 6/30/14	\$ 42,082	42,240	202,456	58,302	18,587
Administrative Fee Reserve Fund Balance - 6/30/14	\$ 2,686,381	2,689,594	2,751,928	2,863,906	2,880,777
Total	\$ 2,728,463	2,731,834	2,954,384	2,922,208	2,899,364
REVENUES/FEES					
Interest Earnings on Payroll Fee Trust Fund	\$ 49	225	214	115	50
Payroll Fee Trust Fund Deposit: Travel	\$ -	-	-	-	47,920
Payroll Fee Trust Fund Deposit: Salary Reimbursements	\$ 380,487	-	197,061	159,616	163,839
Interest Earnings on Administrative Fee Reserve Fund	\$ 10,352	10,695	10,425	12,469	12,959
Revenue from Fees Deducted from Participant Accounts	\$ 633,469	624,942	615,503	606,738	594,549
Miscellaneous Credits	\$ 3,011	-	-	1	750
Total Revenue/Fees	\$ 1,027,368	635,861	823,202	778,940	820,067
TOTAL ASSETS (STARTING BALANCE + REVENUE/FEES)	\$ 3,755,831	3,367,695	3,777,587	3,701,148	3,719,431
EXPENDITURES					
Participant Administrative Fees Paid to Great-West	\$ (375,329)	(374,330)	(373,295)	(375,079)	(373,120)
Prior Quarter Departmental Staffing Reimbursements : 3/31/14	\$ (207,777)	(172,710)	(197,061)	(160,216)	(163,839)
Consulting Costs	\$ (41,454)	(59,558)	(19,574)	(139,584)	
Plan Administrator Hardship Administration	\$ (20,000)	(16,750)	(22,750)	(24,500)	(24,750)
Plan Administrator Asset Allocation Fund Management	\$ (14,250)	(14,250)	(14,250)	(14,250)	(14,250)
Communications	\$ (5,300)	-	(60,082)	(15,000)	
2130 Travel/Training/Education	\$ (12,169)	(398)	(860)	(15,592)	(8,254)
Travel/Training/Education - Payment-Step toe - Training	\$ (7,785)	-	-	(1,308)	(47,920)
Elections Administration	\$ (41,983)				
Wells Fargo Custodial Fees	\$ (1,250)	(1,250)	(1,250)	(1,250)	(1,250)
6010 Office and Administrative	\$ -	-	-	-	-
4160 Governmental Meetings	\$ -	-	-	-	-
TOTAL EXPENDITURES	\$ (63,187)	(1,648)	(2,110)	(18,150)	(633,383)
Actual Payroll Fee Trust Fund Ending Balance (9/30/14)	\$ 208,102	42,082	42,240	202,456	58,302
Actual Administrative Fee Reserve Fund Ending Balance (9/30/14)	\$ 2,647,722	2,686,381	2,689,594	2,751,928	2,863,906
ACTUAL TOTAL BALANCE AS OF 3/31/14	\$ 2,855,824	2,728,463	2,731,834	2,954,384	2,922,209
ENCUMBRANCES/LIABILITIES					
Prior Quarter Departmental Staffing Reimbursements: 6/30/14	\$(163,389.29)	(178,140)	(172,710)	(197,061)	(159,616)
Current Quarter: Personnel - Salaries + Related Costs @ 143.69%	\$(146,044.25)	(135,262)	(155,050)	(155,518)	(172,854)
Current Quarter: City Attorney - Salaries + Related Costs @ 58.56%	\$ (38,683.95)	(28,127)	(23,090)	(17,193)	(24,206)
TOTAL LIABILITIES	\$ (348,117)	(341,529)	(350,851)	(369,771)	(356,676)
TOTAL ASSETS LESS LIABILITIES					
\$ 2,507,707	2,386,934	2,380,983	2,584,614	2,565,533	

SUPPORTING DATA FOR PLAN RESERVE FUND PROJECTION

10 YEAR PROJECTIONS

Quarter Ending:	9/30/2015	9/29/2016	9/29/2017	9/30/2018	9/30/2019	9/29/2020	9/29/2021	9/30/2022	9/30/2023	9/29/2024
Starting Balance	\$ 2,507,707	\$ 2,193,441	\$ 1,932,080	\$ 1,697,608	\$ 1,527,196	\$ 1,427,560	\$ 1,374,140	\$ 1,405,671	\$ 1,530,538	\$ 1,725,976
Estimated Interest Earnings	\$ 68,962	\$ 60,320	\$ 53,132	\$ 46,684	\$ 41,998	\$ 39,258	\$ 37,789	\$ 38,656	\$ 42,090	\$ 47,464
Estimated Participant Fee Revenue	\$ 2,614,310	\$ 2,702,637	\$ 2,795,889	\$ 2,894,379	\$ 2,998,438	\$ 3,108,420	\$ 3,224,702	\$ 3,347,684	\$ 3,477,794	\$ 3,615,487
Estimated Total Revenue	\$ 2,683,272	\$ 2,762,957	\$ 2,849,022	\$ 2,941,063	\$ 3,040,436	\$ 3,147,678	\$ 3,262,491	\$ 3,386,340	\$ 3,519,884	\$ 3,662,951
Estimated Expenses	\$ (2,997,537)	\$ (3,024,318)	\$ (3,083,493)	\$ (3,111,475)	\$ (3,140,073)	\$ (3,201,097)	\$ (3,230,961)	\$ (3,261,473)	\$ (3,324,446)	\$ (3,356,292)
Difference between revenue/expenses	\$ (314,266)	\$ (261,361)	\$ (234,472)	\$ (170,412)	\$ (99,637)	\$ (53,419)	\$ 31,530	\$ 124,867	\$ 195,438	\$ 306,660
Estimated Surplus Balance	\$ 2,193,441	\$ 1,932,080	\$ 1,697,608	\$ 1,527,196	\$ 1,427,560	\$ 1,374,140	\$ 1,405,671	\$ 1,530,538	\$ 1,725,976	\$ 2,032,635
Reserve Target (50% Annual Operating Expenses)	\$ 1,498,769	\$ 1,512,159	\$ 1,541,747	\$ 1,555,737	\$ 1,570,036	\$ 1,600,549	\$ 1,615,480	\$ 1,630,737	\$ 1,662,223	\$ 1,678,146
Estimated Balance Over/Under Reserve	\$ 694,672	\$ 419,921	\$ 155,861	\$ (28,541)	\$ (142,476)	\$ (226,408)	\$ (209,810)	\$ (100,199)	\$ 63,753	\$ 354,490

PLAN EXPENSES

Annual Expenses	9/30/2015	9/29/2016	9/29/2017	9/30/2018	9/30/2019	9/29/2020	9/29/2021	9/30/2022	9/30/2023	9/29/2024
Admin Fees Owed to GWRS	\$ 1,521,854	\$ 1,537,073	\$ 1,552,443	\$ 1,567,968	\$ 1,583,648	\$ 1,599,484	\$ 1,615,479	\$ 1,631,634	\$ 1,647,950	\$ 1,664,429
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	\$ 79,977.60	\$ 81,577	\$ 83,209	\$ 84,873	\$ 86,570	\$ 88,302	\$ 90,068	\$ 91,869	\$ 93,707	\$ 95,581
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	\$ 59,983	\$ 61,183	\$ 62,407	\$ 63,655	\$ 64,928	\$ 66,226	\$ 67,551	\$ 68,902	\$ 70,280	\$ 71,685
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-->	\$ 2,997,537	\$ 3,024,318	\$ 3,083,493	\$ 3,111,475	\$ 3,140,073	\$ 3,201,097	\$ 3,230,961	\$ 3,261,473	\$ 3,324,446	\$ 3,356,292