



CITY OF *Los Angeles*
DEFERRED COMPENSATION PLAN

Board Report 20-48

Date: December 15, 2020
 To: Board of Deferred Compensation Administration
 From: Staff
 Subject: Quarterly Staffing Reimbursements – Third Quarter 2020

Board of Deferred Compensation Administration
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Recommendation:

That the Board of Deferred Compensation Administration (Board) approve reimbursements from the Deferred Compensation Plan (DCP) Reserve Fund to the Personnel Department in the amount of **\$165,789.90** and to the City Attorney in the amount of **\$45,821.39** totaling **\$211,601.86**, inclusive of the third quarter of calendar year 2020 ending September 30, 2020, for staff providing direct support of the DCP.

Discussion:

A. Quarterly Staffing Cost Reimbursements – Third Quarter 2020

The proposed reimbursements identified in this report include the total staffing costs (direct and indirect) of Personnel Department and City Attorney positions providing direct support of the DCP during the third quarter of 2020 beginning July 1, 2020 and ending September 30, 2020 as follows:

Summary of Staffing Cost Reimbursements for Third Quarter 2020 (July 1, 2020 to September 30, 2020)	
Personnel Department Direct Costs	\$87,081.61
Personnel Department Indirect Costs Gross Method @ 72.57%	\$9,938.06
Personnel Department Indirect Costs Net Method @ 93.71%	\$68,770.23
Total Reimbursement to Personnel Department	\$165,789.90
City Attorney Direct Costs	\$25,172.79
City Attorney Indirect Costs Net Method @ 81.99%	\$20,639.17
Total Reimbursement to City Attorney	\$45,821.39
TOTAL PERSONNEL DEPARTMENT/CITY ATTORNEY STAFFING COSTS REIMBURSEMENTS	\$ 211,601.86

B. Modification to Indirect Cost Calculations – Gross Method vs. Net Method

Calculations for the third quarter 2020 include direct costs (actual salaries for all positions presently supporting the DCP) and indirect costs as calculated according to the City Controller’s Special Rates for Indirect Cost Centers (“Special Rates”). These Special Rates are established on a fiscal year basis. Unique rates are identified by department categories. The most recently published rate report includes Special Rates 42 for Fiscal Year (FY) 2019-20.

Indirect costs are comprised of two components: (1) **Consolidated Overhead Rate** (“COR”), which includes Fringe Benefits, Central Services, and Department Administration rates, and (2) **Compensated Time Off** (“CTO”) rate, which accounts for non-working hours such as sick and vacation time. There are two methods that can be used to calculate reimbursement of indirect costs:

- 1) Net Method – used when an employee does not charge 100% of their time to the DCP; or
- 2) Gross Method – used when an employee charges 100% of their time to the DCP.

The distinction between the two is that a CTO rate is applied to the Net Method but not applied to the Gross Method (since compensated time such as vacation and sick time are already captured in gross salary).

Historically, the Net Method has been used to reimburse all Personnel Department and City Attorney staffing costs as staff members were not charging 100% of their time to support the DCP. However, as previously reported to the Board, assignments have been adjusted such that the full-time Personnel Department staff supporting the DCP are 100% dedicated to the DCP. This transition began in the third quarter of 2020 with one staff position and the remaining positions were transitioned in fourth quarter of 2020 (with the exception of the Chief Personnel Analyst and Senior Management Analyst II).

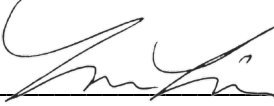
The Gross Method will be used to calculate indirect costs for all positions working exclusively with the DCP. The Net Method will be used to calculate indirect costs for the two partially dedicated positions and the City Attorney positions. The applicable rates are summarized in the table below:


Indirect Costs Rates		
Department	Net Method	Gross Method
Personnel	93.71%	72.57%
City Attorney	81.99%	N/A

Calculation details of the third quarter 2020 salary cost reimbursement including quarterly activity in the DCP’s revenue/expenditure accounts are provided in **Attachment A**.

C. Reserve Fund Projection

With each quarterly reimbursement of staffing positions to the support the DCP, staff also provides a ten-year projection of the DCP Reserve Fund balance. This projection is provided in the 2021 DCP Resource Review covered in Board Report 20-47 that is being presented to the Board for its review and consideration at today's meeting.

Submitted by: 
Mindy Lam, Personnel Analyst

Reviewed by: 
Jenny M. Yau, Senior Management Analyst II

Approved by: 
Steven Montagna, Chief Personnel Analyst

DEFERRED COMPENSATION PLAN QUARTERLY REVIEW OF REVENUES & EXPENSES				
	Pending	Pending	Adopted	Adopted
	Ending	Ending	Ending	Ending
REVENUE & EXPENSE LINE ITEMS	9/30/2020	6/30/2020	3/31/2020	12/31/2019
STARTING BALANCE				
City Fund 896 Starting Balance	\$ 103,404.62	\$ 108,236.86	\$ 114,548.51	\$ 122,858.82
TPA Fund Starting Balance	\$ 3,898,982.83	\$ 4,095,338.70	\$ 3,965,355.25	\$ 3,951,373.34
Total	\$ 4,002,387.45	\$ 4,203,575.56	\$ 4,079,903.76	\$ 4,074,232.16
REVENUES				
Interest Earnings on Fund 896	\$ 337.35	\$ 1,078.99	\$ 680.85	\$ 594.63
Fund 896 Deposit: Salary Reimbursements	\$ 202,931.84	\$ 582,477.62	\$ -	\$ -
Fund 896 Deposit: Other	\$ -	\$ -	\$ -	\$ -
Miscellaneous Credits To Fund 896	\$ -	\$ -	\$ -	\$ -
Interest Earnings on TPA Fund	\$ 41,425.61	\$ 24,856.30	\$ 26,288.94	\$ 26,839.70
Revenue from Fees Deducted from Participant Accounts	\$ 707,892.88	\$ 674,583.83	\$ 710,288.80	\$ 692,392.59
Miscellaneous Credits to TPA Fund	\$ 23,924.92	\$ -	\$ 7,099.01	\$ -
Total Revenue/Fees	\$ 976,512.60	\$ 1,282,996.74	\$ 744,357.60	\$ 719,826.92
TOTAL ASSETS (STARTING BALANCE + REVENUE/FEES)				
	\$ 4,978,900.05	\$ 5,486,572.30	\$ 4,824,261.36	\$ 4,794,059.08
EXPENDITURES				
2130 Travel/Training/Education	\$ -	\$ -	\$ -	\$ (8,347.01)
6010 Consulting Costs	\$ -	\$ -	\$ (5,992.50)	\$ -
6010 Office and Administrative: Reimb Staff Support	\$ (202,931.84)	\$ (582,477.62)	\$ -	\$ -
6010 Office and Administrative: Other	\$ -	\$ (5,911.23)	\$ (1,000.00)	\$ (557.93)
Contractual Fees Paid to TPA	\$ (408,948.75)	\$ (405,956.75)	\$ (400,900.75)	\$ (395,612.75)
Transfer to Fund 896: Salary Reimbursements	\$ (202,931.84)	\$ (397,481.17)	\$ (184,996.45)	\$ -
Transfer to Fund 896: Other	\$ -	\$ -	\$ -	\$ -
Consulting Costs	\$ (14,390.72)	\$ (44,156.57)	\$ (27,796.10)	\$ (300,697.63)
Communications	\$ (256.00)	\$ -	\$ -	\$ (8,340.00)
Training/Education/Travel Paid by TPA	\$ (1,000.00)	\$ -	\$ -	\$ (600.00)
Elections Administration	\$ -	\$ (48,201.51)	\$ -	\$ -
TOTAL EXPENDITURES	\$ (830,459.15)	\$ (1,484,184.85)	\$ (620,685.80)	\$ (714,155.32)
Actual City Fund 896 Ending Balance	\$ 103,741.97	\$ 103,404.62	\$ 108,236.86	\$ 114,548.51
Actual TPA Fund Ending Balance	\$ 4,044,698.93	\$ 3,898,982.83	\$ 4,095,338.70	\$ 3,965,355.25
ACTUAL TOTAL ENDING BALANCE	\$ 4,148,440.90	\$ 4,002,387.45	\$ 4,203,575.56	\$ 4,079,903.76
ENCUMBRANCES/LIABILITIES				
Outstanding Reimbursements from Prior Quarter(s)	\$ 0.00	\$ (0.00)	\$ (184,996.45)	\$ (184,996.45)
Quarterly Personnel Department Direct/Indirect Costs	\$ (165,789.90)	\$ (169,306.26)	\$ (320,911.15)	\$ -
Quarterly City Attorney Direct/Indirect Costs	\$ (45,811.96)	\$ (33,625.58)	\$ (76,570.02)	\$ -
Net Ending Balance Owed	\$ (211,601.86)	\$ (202,931.84)	\$ (582,477.62)	\$ (184,996.45)
Funds in Transit from TPA Fund to City Fund 896	\$ -	\$ -	\$ 184,996.45	\$ -
TOTAL ENDING BALANCE LESS LIABILITIES	\$ 3,936,839.04	\$ 3,799,455.61	\$ 3,806,094.38	\$ 3,894,907.30

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Personnel Indirect Costs Net Method @ 93.71%	\$68,770.23
Quarterly Personnel Direct/Indirect Costs Subtotal	\$165,789.90
City Attorney Direct Costs	\$25,172.79
Total City Attorney Indirect Costs Net Method @ 81.99%	\$20,639.17
Quarterly City Attorney Direct/Indirect Costs Subtotal	\$45,811.96

Legend
City Fund 896
TPA Reserve Fund

TOTAL PERSONNEL DEPARTMENT/CITY ATTORNEY STAFFING COSTS REIMBURSEMENTS	\$ 211,601.86
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