



CITY OF *Los Angeles*
DEFERRED COMPENSATION PLAN

Board Report 21-28

Date: May 18, 2021
 To: Board of Deferred Compensation Administration
 From: Staff
 Subject: Quarterly Staffing Reimbursements – First Quarter 2021

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 **\$156,157.41** and to the City Attorney in the amount of **\$43,333.73** totaling **\$199,491.14**, inclusive of the first quarter of calendar year 2021 ending March 31, 2021, for staff providing direct support of the DCP.

Discussion:

A. Quarterly Staffing Cost Reimbursements – First Quarter 2021

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 first quarter of 2021 beginning January 1, 2021 and ending March 31, 2021 as follows:

Summary of Staffing Cost Reimbursements for First Quarter 2021 (January 1, 2021 to March 31, 2021)	
Personnel Department Direct Costs Gross Method	\$ 54,103.42
Personnel Department Direct Costs Net Method	\$ 32,415.45
Personnel Department Indirect Costs Gross Method @ 72.57%	\$ 39,262.33
Personnel Department Indirect Costs Net Method @ 93.71%	\$ 30,376.21
Total Reimbursement to Personnel Department	\$ 156,157.41
City Attorney Direct Costs Net Method	\$ 23,811.05
City Attorney Indirect Costs Net Method @ 81.99%	\$ 19,522.68
Total Reimbursement to City Attorney	\$ 43,333.73
TOTAL PERSONNEL DEPARTMENT AND CITY ATTORNEY REIMBURSEMENTS	\$ 199,491.14

Calculation details of the first quarter 2021 salary cost reimbursements including quarterly activity in the DCP’s revenue/expenditure accounts are provided in **Attachment A**.

B. Reserve Fund Projection

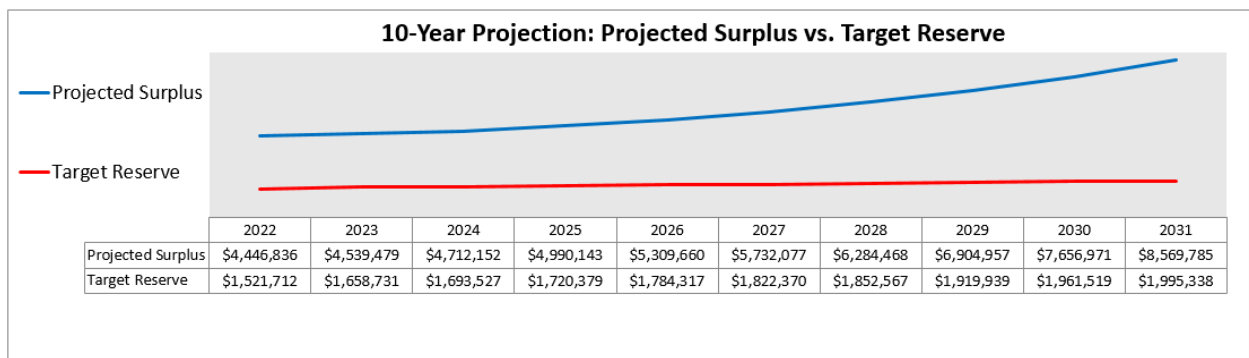
Pursuant to Los Angeles Administrative Code Division 4, Chapter 14, all of the City’s internal administrative costs are required to be paid by participant fees. Two accounts are used to pay expenses: (1) an account held with the Third-Party Administrator (TPA), which acts as a repository for participant fees and from which most DCP expenses are paid; and (2) an account held within the City (Fund 896), from which office and administrative expenses, travel, and equipment purchases are made. Together, these two accounts comprise the DCP Reserve Fund.

To maintain stability within the DCP Reserve Fund and participant fees, the Board has established a target Reserve Fund balance of 50% of annual DCP 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 for the Board to compare the long-term projected Reserve Fund balance to the target Reserve Fund balance.

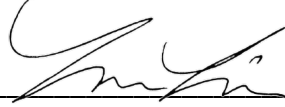
The Board last reviewed and approved long-term assumptions for DCP revenues and expenditures at its December 15, 2020 meeting, following a fee review and recommendations submitted by the DCP Plan Governance and Administrative Issues Committee. The current key variables used in long-term projections are summarized 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. Special Rate</i>	<i>City Attorney Avg. Special Rate</i>
2.0%	3.0%	7%	2.0%	0.09%	\$115	115.0%	115.0%

With each quarterly review, staff provides a ten-year projection of the DCP Reserve Fund balance. Following is the rolling-ten year forecast of the DCP Reserve Fund balance updated with data as of March 31, 2021.



As indicated in the chart above, the Reserve Fund balance is projected to be above the target reserve over the entire ten-year period. The lowest projected surplus amount above the target Reserve Fund balance is approximately **\$4.4 million** in 2022, increasing to approximately **\$8.6 million** in 2031. The lowest difference between the projected surplus and the target Reserve Fund balance is approximately **\$2.9 million** in 2023, increasing to approximately **\$6.6 million** in 2031. All options for addressing the long-term projected surplus will be revisited upon the conclusion of the Plan Governance and Administrative Issues Committee's upcoming review of investment advice/financial education services.

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	Adopted	Adopted	Adopted
REVENUE & EXPENSE LINE ITEMS	Ending	Ending	Ending	Ending
	3/31/2021	12/31/2020	9/30/2020	6/30/2020
STARTING BALANCE				
City Fund 896 Starting Balance	\$ 104,200.70	\$ 103,741.97	\$ 103,404.62	\$ 108,236.86
TPA Fund Starting Balance	\$ 4,383,238.39	\$ 4,044,698.93	\$ 3,898,982.83	\$ 4,095,338.70
Total	\$ 4,487,439.09	\$ 4,148,440.90	\$ 4,002,387.45	\$ 4,203,575.56
REVENUES				
Interest Earnings on Fund 896	\$ 331.44	\$ 458.73	\$ 337.35	\$ 1,078.99
Fund 896 Deposit: Salary Reimbursements	\$ 411,703.60	\$ -	\$ 202,931.84	\$ 582,477.62
Fund 896 Deposit: Other	\$ -	\$ -	\$ -	\$ -
Miscellaneous Credits To Fund 896	\$ -	\$ -	\$ -	\$ -
Interest Earnings on TPA Fund	\$ 21,755.05	\$ 24,469.35	\$ 41,425.61	\$ 24,856.30
Revenue from Fees Deducted from Participant Accounts	\$ 748,303.81	\$ 724,334.86	\$ 707,892.88	\$ 674,583.83
Miscellaneous Credits to TPA Fund	\$ -	\$ -	\$ 23,924.92	\$ -
Total Revenue/Fees	\$ 1,182,093.90	\$ 749,262.94	\$ 976,512.60	\$ 1,282,996.74
TOTAL ASSETS (STARTING BALANCE + REVENUE/FEES)	\$ 5,669,532.99	\$ 4,897,703.84	\$ 4,978,900.05	\$ 5,486,572.30
EXPENDITURES				
2130 Travel/Training/Education	\$ -	\$ -	\$ -	\$ -
6010 Consulting Costs	\$ -	\$ -	\$ -	\$ -
6010 Office and Administrative: Reimb Staff Support	\$ (411,703.60)	\$ -	\$ (202,931.84)	\$ (582,477.62)
6010 Office and Administrative: Other	\$ (3,808.59)	\$ -	\$ -	\$ (5,911.23)
Contractual Fees Paid to TPA	\$ (410,244.75)	\$ (409,564.75)	\$ (408,948.75)	\$ (405,956.75)
Transfer to Fund 896: Salary Reimbursements	\$ (411,703.60)	\$ -	\$ (202,931.84)	\$ (397,481.17)
Transfer to Fund 896: Other	\$ -	\$ -	\$ -	\$ -
Consulting Costs	\$ (7,582.67)	\$ -	\$ (14,390.72)	\$ (44,156.57)
Communications	\$ -	\$ -	\$ (256.00)	\$ -
Training/Education/Travel Paid by TPA	\$ -	\$ (700.00)	\$ (1,000.00)	\$ -
Elections Administration	\$ -	\$ -	\$ -	\$ (48,201.51)
TOTAL EXPENDITURES	\$ (1,245,043.21)	\$ (410,264.75)	\$ (830,459.15)	\$ (1,484,184.85)
Actual City Fund 896 Ending Balance	\$ 100,723.55	\$ 104,200.70	\$ 103,741.97	\$ 103,404.62
Actual TPA Fund Ending Balance	\$ 4,323,766.23	\$ 4,383,238.39	\$ 4,044,698.93	\$ 3,898,982.83
ACTUAL TOTAL ENDING BALANCE	\$ 4,424,489.78	\$ 4,487,439.09	\$ 4,148,440.90	\$ 4,002,387.45
ENCUMBRANCES/LIABILITIES				
Outstanding Reimbursements from Prior Quarter(s)	\$ -	\$ (211,611.29)	\$ -	\$ -
Quarterly Personnel Department Direct/Indirect Costs	\$ (156,157.41)	\$ (158,031.44)	\$ (165,789.90)	\$ (169,306.26)
Quarterly City Attorney Direct/Indirect Costs	\$ (43,333.73)	\$ (42,060.87)	\$ (45,821.39)	\$ (33,625.58)
Net Ending Balance Owed	\$ (199,491.14)	\$ (411,703.60)	\$ (211,611.29)	\$ (202,931.84)
Funds in Transit from TPA Fund to City Fund 896	\$ -	\$ -	\$ -	\$ -
TOTAL ENDING BALANCE LESS LIABILITIES	\$ 4,224,998.64	\$ 4,075,735.49	\$ 3,936,829.61	\$ 3,799,455.61

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Legend
City Fund 896
TPA Reserve Fund