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DEFERRED COMPENSATION PLAN BOARD REPORT 06-38



Date: November 14, 2006

To: Board of Deferred Compensation Administration

From: Staff

Subject: Deferred Compensation Plan Budget Status Report - Quarter Ending 06/30/06

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 06/30/06; and (b) approve reimbursement from the Deferred Compensation Plan Trust Fund #896 to the Personnel Department for \$41,176.54 for the quarter ending 06/30/06.

Discussion:

Staff has completed its budgetary review and reconciliation of administrative fees/expenses for the quarter ending 06/30/06. This review consolidates reporting for the Payroll Fee Trust Fund and Administrative Fee Reserve Fund as part of the Plan's overall operating budget.

Reimbursements - Staff is recommending reimbursement to the Personnel Department from the Payroll Fee Trust Fund #896 in the amount of \$41,176.54. The Personnel Department is reimbursed for:

- Salaries for the 3.5 positions presently servicing the Plan;
- Retirement on salaries using a percentage (19.94%) derived from the Fringe Benefits CAP rate for retirement costs only for the 05/06 fiscal year
- Office supplies for staff using a standard Personnel Department formula (\$1,000 per full-time person annually);
- Overhead of 3.4% of the expenses listed above that line (see footnote)¹.

¹ This is the last known City overhead rate, since this percentage is no longer computed. As discussed at a Board meeting in October 1997, the General City Overhead rate and Retirement rate were previously supplied on Schedule G of the CAO's Fees for Special Services instructions. Schedule G was one of two methods used in cost accounting for special service programs; the other method involved what are called Cost Allocation Plan ("CAP") rates. Beginning with the 96/97 fiscal year, the Schedule G method was eliminated and all programs were directed to use the CAP rates. Because the Council had previously (in 1993) specified that the Plan would only be billed for direct costs (i.e. retirement and General City overhead), staff recommended, and the Board approved, billing the program for the last known General City Overhead rate and each fiscal year's Retirement rate (which can be derived from the Fringe Benefits CAPS rate) until such time as this matter is revisited by Council.

Rolling Four-Quarter Projected Income/Expenses - Following is an updated rolling four-quarter forecast of revenue/expenses for the Deferred Compensation Plan budget accounts. The projected surplus in the Fund over a one-year period has risen from the prior quarter's projected surplus of \$2,235,514 to the current \$2,447,513, a 9.5% increase.

The following table provides a breakdown of estimated revenues/expenses over the next 4-quarter cycle:

PROJECTED REVENUE/EXPENSES: 7/1/06-6/30/07		
REVENUE		
Projected Fifty-Cent Fees to Payroll Fee Trust Fund	\$	344,760
Projected Deposits to Administrative Fee Reserve Fund	\$	697,438
Interest	\$	18,000
Total	\$	1,060,198
ANNUAL EXPENSES		
Personnel Reimbursements	\$	(216,881)
NAGDCA Dues/Conference Expenses	\$	(30,000)
Consulting Fees	\$	(300,000)
Office & Admin	\$	(10,000)
Quarterly Fee - Asset Allocation Funds	\$	(18,000)
Total	\$	(574,881)
Annual Revenue Less Annual Expenses	\$	485,317
CURRENT SURPLUS		
Current Surplus	\$	1,962,196
Projected Total Surplus:6/30/07	\$	2,447,513

As Board members may recall, the question regarding how to address the Plan's growing surplus has been referred to the Board's Plan Governance Committee. This discussion has not taken place yet, but will take on a new level of complexity given the fee reductions provided for in the new contract with Great-West. Some of the options previously discussed by staff and that can be considered by the Committee and full Board include (a) placing a cap on fees paid by participants with large account balances (these individuals pay a disproportionate share of Plan expenses currently) and (b) reduction or elimination of the bi-weekly payroll ("50-cent") fee paid by contributing participants.

Submitted by: _____
Natasha Zuvich

Reviewed by: _____
Steven Montagna

Approved by: _____
Maryanne Keehn

DEFERRED COMPENSATION PLAN QUARTERLY BUDGET REVIEW	
ADMINISTRATIVE AND OPERATING EXPENSES	
QUARTER ENDING 6/30/06	
STARTING BALANCE	
Payroll Fee Trust Fund Ending Balance - 3/31/06	\$ 390,059
Administrative Fee Reserve Fund Balance - 3/31/06	\$ 1,407,404
Total	\$ 1,797,463
REVENUES/FEES	
City Payroll Administrative ("Fifty Cent") Fees	\$ 78,000
DWP Payroll Administrative ("Fifty Cent") Fees	\$ 14,299
Interest Earnings on Payroll Fee Trust Fund	\$ 4,824
Administrative Fee Reserve Fund Deposits	\$ 211,166
Interest Earnings on Administrative Fee Reserve Fund	\$ 19,482
Total Revenue/Fees	\$ 327,771
STARTING BALANCE + REVENUE/FEES	\$ 2,125,233
EXPENDITURES	
Personnel Department Reimbursements	\$ (48,159)
Consulting Costs	\$ (20,300)
NAGDCA	\$ -
Office & Admin	\$ (743)
Quarterly Fee - Asset Allocation Funds	\$ (4,500)
TOTAL EXPENDITURES	\$ (73,702)
Actual Payroll Fee Trust Fund Ending Balance (6/30/06)	\$ 369,221
Actual Administrative Fee Reserve Fund Ending Balance (6/30/06)	\$ 1,830,060
ACTUAL TOTAL BALANCE AS OF 6/30/06	\$ 2,051,531
ENCUMBRANCES/LIABILITIES	
Reimbursements: (Personnel: 3 Mos. Ending 3/31/06)	\$ (48,159)
Reimbursements: (Personnel: 3 Mos. Ending 6/30/06)	\$ (41,177)
TOTAL LIABILITIES	\$ (89,336)
ASSETS LESS EXPENDITURES/LIABILITIES	\$ 1,962,196
Personnel Reimbursement Summary - 3 Months Ending 6/30/06	
Personnel - Salaries	\$ 32,603.95
Personnel - FY 05-06 Retirement @ 19.84%	\$ 6,468.62
Personnel - Office Supplies	\$ 750.00
Personnel - Overhead	\$ 1,353.97
Personnel Reimbursements	\$ 41,176.54

PAYROLL FEE TRUST FUND ACTIVITY REPORT		
Quarterly Summary - 6/30/06		
<i>APRIL '06</i>		
Opening Balance		\$ 390,058.91
CR-CITY ADMIN FEES	04/13/06	\$ 22,141.50
CR-DWP ADMIN FEES	04/11/06	\$ 2,363.50
CR-DWP ADMIN FEES	04/25/06	\$ 2,369.50
CONSULTING-MERCER	04/12/06	\$ (17,272.14)
OFFICE & ADMIN	04/05/06	\$ (25.50)
JV-INTEREST	04/12/06	<u>\$ 1,707.98</u>
	Subtotal->	\$ 401,343.75
<i>MAY '06</i>		
CR-DWP ADMIN FEES	05/09/06	\$ 2,384.50
CR-CITY ADMIN FEES	05/02/06	\$ 11,135.50
CR-CITY ADMIN FEES	05/11/06	\$ 11,182.50
CR-DWP ADMIN FEES	05/23/06	\$ 2,387.00
CR-CITY ADMIN FEES	05/25/06	\$ 11,158.00
CONSULTING-MERCER	05/01/06	\$ (3,027.50)
OFFICE & ADMIN	05/15/06	\$ (780.00)
REIMBURSEMENT-PERSONNEL	05/01/06	\$ (48,758.31)
JV-INTEREST	05/11/06	\$ 1,031.36
	Subtotal->	\$ 388,056.80
<i>JUN '06</i>		
CR-DWP ADMIN FEES	06/06/06	\$ 2,399.00
CR-CITY ADMIN FEES	06/08/06	\$ 11,192.50
CR-DWP ADMIN FEES	06/20/06	\$ 2,395.00
CR-CITY ADMIN FEES	06/22/06	\$ 11,190.00
OFFICE & ADMIN (MISC.)		\$ 62.58
REIMBURSEMENT-PERSONNEL		\$ (48,159.32)
JV-INTEREST		\$ 1,143.62
JV-INTEREST		<u>\$ 941.22</u>
	Subtotal->	\$ 369,221.40
QUARTERLY SUMMARY		
OPENING BALANCE		\$ 390,058.91
TOTAL CITY ADMIN FEES		\$ 78,000.00
TOTAL DWP ADMIN FEES		\$ 14,298.50
TOTAL INTEREST		\$ 4,824.18
REIMBURSEMENT-PERSONNEL		\$ (96,917.63)
CONSULTING-MERCER		\$ (20,299.64)
NAGDCA		\$ -
OFFICE & ADMIN		\$ (742.92)
ENDING BALANCE		\$ 369,221.40