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DEFERRED COMPENSATION PLAN BOARD REPORT 07-46



Date: December 6, 2007

To: Board of Deferred Compensation Administration

From: Staff

Subject: Deferred Compensation Plan Budget Status Report - Quarter Ending 9/30/07

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 9/30/07; and (b) approve reimbursements for the quarter ending 9/30/07 from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$119,969.78**; City Attorney for **\$23,921.78**; and DWP for **\$2,706.66**, for the quarter ending 9/30/07.

Discussion:

Staff has completed its budgetary review and reconciliation of administrative fees/expenses for the quarter ending 9/30/07. 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 from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$119,969.78**; City Attorney for **\$23,921.78**; and DWP for **\$2,706.66**, for the quarter ending 9/30/07. Please note that beginning 7/1/07 the Plan will follow the new, higher reimbursement methodology recently approved by the Board and City Council. The calculations for the current quarter reimbursement include salaries for the **4.8** positions presently servicing the Plan including all direct salary and indirect costs as calculated in the City Controller's Cost Allocation Plan (CAP) rates and by DWP Payroll. Indirect costs for the 07/08 fiscal year for Personnel, City Attorney and DWP are 78.22%, 52.63%, and 82% respectively.

Rolling five-year Projected Income/Expenses - Following is a rolling five-year forecast of revenue/expenses for the Deferred Compensation Plan budget accounts. This calculation incorporates all of the Plan's recently approved fee reductions and higher reimbursement assumptions. It also includes projections for recent cost-of-living adjustment (COLA) salary increases negotiated in labor contracts. These COLA increases were larger than had been forecast, but they have been largely offset by stronger than anticipated growth in Plan assets and participants.

The following table provides a breakdown of estimated revenues/expenses over the next five-year period:

PROJECTED REVENUE/EXPENSES: 10/1/07-9/30/12

	10/1/07-9/30/08	10/1/08-9/30/09	10/1/09-9/30/10	10/1/10-9/30/11	10/1/11-9/30/12
Starting Plan Balance	\$ 3,475,371	\$ 2,988,671	\$ 2,690,123	\$ 2,438,918	\$ 2,148,585
Estimated Interest Earnings	\$ 144,000	\$ 144,000	\$ 144,000	\$ 144,000	\$ 144,000
Estimated Fee Revenue	\$ 2,182,516	\$ 2,423,072	\$ 2,525,792	\$ 2,635,137	\$ 2,751,605
Estimated Expenses	\$ (2,813,217)	\$ (2,865,620)	\$ (2,920,997)	\$ (3,069,470)	\$ (3,102,992)
Annual revenue less annual expenses	\$ (630,701)	\$ (442,548)	\$ (395,205)	\$ (434,333)	\$ (351,386)
Projected Plan Surplus Balance	\$ 2,988,671	\$ 2,690,123	\$ 2,438,918	\$ 2,148,585	\$ 1,941,199

The Board's targeted surplus level was \$1.5 million. This projection indicates that the target will be met over the next five year period.

Submitted by: _____
Natasha Zuvich

Reviewed by: _____
Steven Montagna

Approved by: _____
Maryanne Keehn

DEFERRED COMPENSATION PLAN QUARTERLY BUDGET REVIEW		
ADMINISTRATIVE AND OPERATING EXPENSES		
QUARTER ENDING 9/30/07		
STARTING BALANCE		
Payroll Fee Trust Fund Ending Balance - 6/30/07	\$	371,189
Administrative Fee Reserve Fund Balance - 6/30/07	\$	2,873,482
Total	\$	3,244,671
REVENUES/FEES		
City Payroll Administrative ("Fifty Cent") Fees	\$	35,512
DWP Payroll Administrative ("Fifty Cent") Fees	\$	7,394
Interest Earnings on Payroll Fee Trust Fund	\$	3,687
Administrative Fee Reserve Fund Deposits	\$	408,397
Interest Earnings on Administrative Fee Reserve Fund	\$	36,786
Total Revenue/Fees	\$	491,776
STARTING BALANCE + REVENUE/FEES	\$	3,736,447
EXPENDITURES		
Personnel Department Reimbursements	\$	-
Consulting Costs	\$	(22,553)
NAGDCA	\$	(21,805)
Office & Admin	\$	-
Quarterly Fee - Asset Allocation Funds	\$	(5,000)
TOTAL EXPENDITURES	\$	(49,358)
Actual Payroll Fee Trust Fund Ending Balance (9/30/07)	\$	373,424
Actual Administrative Fee Reserve Fund Ending Balance (9/30/07)	\$	3,313,665
ACTUAL TOTAL BALANCE AS OF 9/30/07	\$	3,687,089
ENCUMBRANCES/LIABILITIES		
Reimbursements: (Personnel: 3 Mos. Ending 6/30/07)	\$	(65,120)
Reimbursements: (Personnel: 3 Mos. Ending 9/30/07)	\$	(146,598)
TOTAL LIABILITIES	\$	(211,718)
ASSETS LESS EXPENDITURES/LIABILITIES	\$	3,475,371
Reimbursement Summary - 3 Months Ending 9/30/07		
Personnel - Salaries + Related Costs @ 78.22%	\$	119,969.78
City Attorney - Salaries + Related Costs @ 52.63%	\$	23,921.78
DWP - Salaries + Related Costs @ 82.00%	\$	2,706.66
Total Reimbursements	\$	146,598.22