

DEFERRED COMPENSATION PLAN BOARD REPORT 09-22



Date: April 1, 2009
 To: Board of Deferred Compensation Administration
 From: Staff
 Subject: Deferred Compensation Plan Budget Status Report:
 Quarter Ending 12/31/08

Members
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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 **12/31/08**; and (b) for this same quarter, approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$154,903.66**; City Attorney for **\$19,879.94**; and DWP for **\$2,795.02**.

Discussion:

Reimbursements - Staff is recommending reimbursement from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$154,903.66**; City Attorney for **\$19,879.94**; and DWP for **\$2,795.02**, for the quarter ending 12/31/08. The calculations for the current quarter reimbursement 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 and by DWP Payroll. Indirect costs for the 08/09 fiscal year for Personnel, City Attorney and DWP are 88.53%, 43.23%, and 82% respectively. Quarterly activity in the Plan's revenue/expenditure accounts is included in Attachment I.

Rolling five-year Projected Income/Expenses - Following is a rolling five-year forecast of revenue/expenses for the Deferred Compensation Plan budget accounts.

PROJECTED REVENUE/EXPENSES: 01/01/09-12/31/13

Quarter Ending:	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013
Starting Balance	\$ 3,382,680	\$ 2,887,449	\$ 2,452,059	\$ 1,991,870	\$ 1,602,822
Estimated Interest Earnings	\$ 183,444	\$ 183,444	\$ 183,444	\$ 183,444	\$ 183,444
Estimated Total Revenue	\$ 2,068,434	\$ 2,172,449	\$ 2,284,512	\$ 2,405,322	\$ 2,535,639
Estimated Expenses	\$ (2,747,110)	\$ (2,791,282)	\$ (2,928,146)	\$ (2,977,814)	\$ (3,002,935)
Difference	\$ (678,676)	\$ (618,833)	\$ (643,634)	\$ (572,492)	\$ (467,296)
Estimated Surplus Balance	\$ 2,887,449	\$ 2,452,059	\$ 1,991,870	\$ 1,602,822	\$ 1,318,970

PROJECTED FEE REVENUES DETAIL

Account Size	Participants	Account Values	Revenue Estimates				
			12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012
Less than \$25k	20,071	\$ 174,529,648	\$ 190,237	\$ 207,359	\$ 226,021	\$ 246,363	\$ 268,535
\$25k-\$50k	6,153	\$ 221,388,238	\$ 241,313	\$ 263,031	\$ 286,704	\$ 312,508	\$ 340,633
\$50k-\$75k	3,747	\$ 231,725,721	\$ 252,581	\$ 275,313	\$ 300,092	\$ 327,100	\$ 356,539
\$75k-\$100k	2,781	\$ 241,489,275	\$ 263,223	\$ 286,913	\$ 312,736	\$ 340,882	\$ 371,561
\$100k-\$200k	5,116	\$ 706,608,853	\$ 652,290	\$ 665,336	\$ 678,643	\$ 692,215	\$ 706,060
\$200k-\$300k	1,375	\$ 330,660,671	\$ 175,313	\$ 178,819	\$ 182,395	\$ 186,043	\$ 189,764
\$300k-\$400k	493	\$ 168,062,767	\$ 62,858	\$ 64,115	\$ 65,397	\$ 66,705	\$ 68,039
\$400k-\$500k	181	\$ 79,960,987	\$ 23,078	\$ 23,539	\$ 24,010	\$ 24,490	\$ 24,980
Over \$500k	189	\$ 125,492,737	\$ 24,098	\$ 24,579	\$ 25,071	\$ 25,572	\$ 26,084
Total-->	40,106	\$ 2,279,918,897	\$ 1,884,990	\$ 1,989,004	\$ 2,101,068	\$ 2,221,878	\$ 2,352,195

PROJECTED EXPENSES DETAIL

Annual Expenses	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013
Admin Fees Owed to GWRS	\$ 1,626,098	\$ 1,658,620	\$ 1,691,792	\$ 1,725,628	\$ 1,760,141
Salary/Related Costs	\$ 791,012	\$ 830,562	\$ 872,090	\$ 915,695	\$ 934,009
Consulting Costs	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Training/Education	\$ 50,000	\$ 51,500	\$ 53,045	\$ 54,636	\$ 56,275
Quarterly-Fee Allocation Funds	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Election Administration	\$ 30,000	\$ -	\$ 60,000	\$ 30,000	\$ -
Office/Admin/Equipment	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510
	\$ 2,747,110	\$ 2,791,282	\$ 2,928,146	\$ 2,977,814	\$ 3,002,935

As a result of the extreme market declines of the past year, for the purpose of the five-year rolling forecast staff is now proposing using a growth rate assumption of 9.0% vs. the 8.0% used previously. Plan assets fell by an unprecedented 40% in 2008. There have been only two other years in which Plan assets have declined (see table in Attachment II). Since these Plan asset fluctuations track investment market returns, our expectation is that over longer time periods a substantial portion of those assets will be recovered by higher-than-average market returns.

As indicated in Attachment II, the growth rate for the Plan for the period from 1990 through the present (including 2008) is 9.3%. Staff believes that this period of time is an appropriate period upon which to base our growth rate assumption because it includes not only the 1990's bull market but two bear markets, including last year's. In fact, it is probably more likely that growth rates will exceed 9.0%.

Given current assumptions, we anticipate that the Board’s targeted surplus level of \$1.5 million will be closely met over the next five years. Staff further finds that the current fee structure is sound, the Plan will weather current asset declines, and fee increases will not be necessary.

Submitted by:

Natasha Zuvich

Steven Montagna

Approved by:

Alejandrina Basquez

DEFERRED COMPENSATION PLAN QUARTERLY BUDGET REVIEW	
ADMINISTRATIVE AND OPERATING EXPENSES	
QUARTER ENDING 12/31/08	
STARTING BALANCE	
Payroll Fee Trust Fund Ending Balance - 9/30/08	\$ 214,597
Administrative Fee Reserve Fund Balance - 9/30/08	\$ 3,557,308
Total	\$ 3,771,905
REVENUES/FEEES	
Interest Earnings on Payroll Fee Trust Fund	\$ 1,129
Administrative Fee Reserve Fund Deposits	\$ 152,424
Interest Earnings on Administrative Fee Reserve Fund	\$ 44,732
Miscellaneous Revenues	\$ 84
Total Revenue/Fees	\$ 198,369
STARTING BALANCE + REVENUE/FEEES	\$ 3,970,274
EXPENDITURES	
Participant Administrative Fees Paid to Great-West	\$ (130,407)
Personnel Department Reimbursements	\$ (104,052)
City Attorney Reimbursements	\$ (22,578)
DWP Reimbursements	\$ -
Consulting Costs	\$ (25,275)
2130 Travel/Training/Education	\$ (26,163)
4160 Governmental Meetings	\$ -
6010 Office and Administrative	\$ -
7300 Office Furniture & Equipment	\$ -
GWRS Quarterly Fee - Asset Allocation Fund Management	\$ (7,500)
TOTAL EXPENDITURES	\$ (315,975)
Actual Payroll Fee Trust Fund Ending Balance (12/31/08)	\$ 164,372
Actual Administrative Fee Reserve Fund Ending Balance (12/31/08)	\$ 3,582,738
ACTUAL TOTAL BALANCE AS OF 12/31/08	\$ 3,747,110
ENCUMBRANCES/LIABILITIES	
Reimbursements: 3 Mos. Ending 09/30/08	\$ (186,851)
Reimbursements: 3 Mos. Ending 12/31/08	\$ (177,579)
TOTAL LIABILITIES	\$ (364,430)
ASSETS LESS EXPENDITURES/LIABILITIES	\$ 3,382,680
Personnel Reimbursement Summary - 3 Months Ending 12/31/08	
Personnel - Salaries + Related Costs @ 88.53%	\$ 154,903.66
City Attorney - Salaries + Related Costs @ 43.23%	\$ 19,879.94
DWP - Salaries + Related Costs @ 82.00%	\$ 2,795.02
Total Reimbursements	\$ 177,578.62

Year	Assets	% Change
1984	\$ 17,990,298	
1985	\$ 48,584,697	170%
1986	\$ 84,762,277	74%
1987	\$ 126,921,243	50%
1988	\$ 180,395,336	42%
1989	\$ 249,105,465	38%
1990	\$ 303,691,355	22%
1991	\$ 378,018,448	24%
1992	\$ 441,306,161	17%
1993	\$ 516,401,147	17%
1994	\$ 564,392,235	9%
1995	\$ 702,779,928	25%
1996	\$ 831,689,383	18%
1997	\$ 1,029,129,147	24%
1998	\$ 1,285,271,264	25%
1999	\$ 1,564,440,301	22%
2000	\$ 1,578,565,882	1%
2001	\$ 1,508,545,448	-4%
2002	\$ 1,373,444,396	-9%
2003	\$ 1,737,260,679	26%
2004	\$ 1,973,665,625	14%
2005	\$ 2,230,031,810	13%
2006	\$ 2,566,734,158	15%
2007	\$ 2,909,282,960	13%
2008	\$ 2,279,918,897	-40%
Average (1990-Present)-->		9.3%