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# DEFERRED COMPENSATION PLAN BOARD REPORT 07-33



Date: July 9, 2007

To: Board of Deferred Compensation Administration

From: Staff

Subject: Deferred Compensation Plan Budget Status Report - Quarter Ending 3/31/07

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 3/31/07; (b) approve reimbursement from the Deferred Compensation Plan Trust Fund #896 to the Personnel Department for \$64,574.38 for the quarter ending 3/31/07; and (c) approve a change in the position authority for the Plan Manager position as detailed in this report.

Discussion:

Staff has completed its budgetary review and reconciliation of administrative fees/expenses for the quarter ending 3/31/07. 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 to the Personnel Department from the Payroll Fee Trust Fund #896 in the amount of \$64,574.38. The Personnel Department is presently reimbursed for:

- Salaries for the 3.5 positions presently servicing the Plan;
- Retirement on salaries using a percentage (24.48%) derived from the Fringe Benefits CAP rate for retirement costs only for the 06/07 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)<sup>1</sup>.

<sup>1</sup> 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. Because the Board recently adopted changes to the Plan's fee structure and reimbursement methodology which begins 7/1/07, the table below differs from those provided to the Board in previous reports. This table projects the Plan's surplus as of 6/30/08 under the new fee/reimbursement structure (making certain assumptions about what will occur in the final quarter under the old structure). The projections indicate a reduction in the Plan's surplus over this one-year period, which as Board members recall was an objective for the Plan.

<b>PROJECTED REVENUE/EXPENSES: 7/1/07-6/30/08</b>	
<b>REVENUE</b>	
Projected Fee Revenue to Administrative Fee Reserve Fund	\$ 2,037,892
Projected Interest Earnings	\$ 110,000
Total	<b>\$ 2,147,892</b>
<b>ANNUAL EXPENSES</b>	
Great-West Administrative Fee	\$ (1,491,326)
Salary & Related Costs Reimbursements	\$ (589,449)
NAGDCA Dues/Conference Expenses	\$ (25,000)
Consulting Fees	\$ (300,000)
Quarterly Fee - Asset Allocation Funds	\$ (18,000)
Total	<b>\$ (2,423,775)</b>
Annual Revenue Less Annual Expenses	<b>\$ (275,883)</b>
<b>PLAN SURPLUS</b>	
Projected Payroll Fee Balance 6/30/07	\$ 326,853
Projected Administrative Fee Balance 6/30/07	\$ 2,849,000
Total Assets	\$ 3,175,853
Projected Net Surplus: 6/30/08	<b>\$ 2,899,970</b>

**Plan Manager Position Authority** – Staff is requesting authorization from the Board to modify the reimbursement authority for the Plan Manager position for the Deferred Compensation Plan. In the past this position authority has been at the level of a Senior Personnel Analyst I. Staff is requesting that the authority be increased to the level of Senior Personnel Analyst II. Our internal review of competitive positions, as well as our external review of similar positions with other large governmental plans, suggests that the higher authority is justified and necessary in order to be competitive within and outside the City workforce. Note that the salary calculations included in the above estimates incorporate the compensation differential for the Senior II position.

Submitted by: \_\_\_\_\_  
Maryanne Keehn

<b>DEFERRED COMPENSATION PLAN QUARTERLY BUDGET REVIEW</b>	
<b>ADMINISTRATIVE AND OPERATING EXPENSES</b>	
<b>QUARTER ENDING 3/31/07</b>	
<b>STARTING BALANCE</b>	
Payroll Fee Trust Fund Ending Balance - 12/31/06	\$ 410,439
Administrative Fee Reserve Fund Balance - 12/31/06	\$ 2,291,462
Total	\$ 2,701,901
<b>REVENUES/FEES</b>	
City Payroll Administrative ("Fifty Cent") Fees	\$ 81,306
DWP Payroll Administrative ("Fifty Cent") Fees	\$ 16,953
Interest Earnings on Payroll Fee Trust Fund	\$ 4,573
Administrative Fee Reserve Fund Deposits	\$ 194,268
Interest Earnings on Administrative Fee Reserve Fund	\$ 28,290
Total Revenue/Fees	\$ 325,389
<b>STARTING BALANCE + REVENUE/FEES</b>	<b>\$ 3,027,290</b>
<b>EXPENDITURES</b>	
Personnel Department Reimbursements	\$ (118,838)
Consulting Costs	\$ (22,490)
NAGDCA	\$ (600)
Office & Admin	\$ -
Quarterly Fee - Asset Allocation Funds	\$ (10,293)
TOTAL EXPENDITURES	\$ (152,221)
Actual Payroll Fee Trust Fund Ending Balance (3/31/07)	\$ 371,341
Actual Administrative Fee Reserve Fund Ending Balance (3/31/07)	\$ 2,503,727
<b>ACTUAL TOTAL BALANCE AS OF 3/31/07</b>	<b>\$ 2,875,068</b>
<b>ENCUMBRANCES/LIABILITIES</b>	
Reimbursements: (Personnel: 3 Mos. Ending 3/31/07)	\$ (64,574)
TOTAL LIABILITIES	\$ (64,574)
<b>ASSETS LESS EXPENDITURES/LIABILITIES</b>	<b>\$ 2,810,494</b>
<b>Personnel Reimbursement Summary - 3 Months Ending 12/31/06</b>	
Personnel - Salaries	\$ 49,366.20
Personnel - FY 06-07 Retirement @ 24.48%	\$ 12,084.85
Personnel - Office Supplies	\$ 1,000.00
Personnel - Overhead	\$ 2,123.34
Personnel Reimbursements	<b>\$ 64,574.38</b>

<b>TRUST FUND ACTIVITY REPORT</b>			
<b>Quarterly Summary - 3/31/07</b>			
<b>JANUARY '07</b>			
Opening Balance		\$	410,438.84
CR-DWP ADMIN FEES	01/03/07	\$	2,405.00
CR-CITY ADMIN FEES	01/09/07	\$	11,518.50
CR-DWP ADMIN FEES	01/16/07	\$	2,414.50
CR-CITY ADMIN FEES	01/18/07	\$	11,609.50
CR-DWP ADMIN FEES	01/30/07	\$	2,423.00
JV-INTEREST	01/10/07	\$	1,401.35
	Subtotal->	\$	442,210.69
<b>FEBRUARY '07</b>			
CR-CITY ADMIN FEES	02/01/07	\$	11,592.50
CR-DWP ADMIN FEES	02/13/07	\$	2,424.50
CR-CITY ADMIN FEES	02/14/07	\$	11,580.00
CR-DWP ADMIN FEES	02/27/07	\$	2,424.00
NAGDCA (membership dues)	02/15/07	\$	(600.00)
CONSULTING-MERCER	02/06/07	\$	(17,997.80)
REIMBURSEMENT-PERSONNEL	02/06/07	\$	(55,516.61)
JV-INTEREST	02/09/07	\$	1,330.75
	Subtotal->	\$	397,448.03
<b>MARCH '07</b>			
CR-CITY ADMIN FEES	03/01/07	\$	11,616.50
CR-DWP ADMIN FEES	03/13/07	\$	2,430.00
CR-DWP ADMIN FEES	03/27/07	\$	2,431.50
CR-CITY ADMIN FEES	03/28/07	\$	11,708.50
CR-CITY ADMIN FEES	03/28/07	\$	11,680.00
CONSULTING-MERCER	03/08/07	\$	(4,492.50)
REIMBURSEMENT-PERSONNEL	03/28/07	\$	(63,321.53)
JV-INTEREST	03/15/07	\$	1,840.93
	Subtotal->	\$	371,341.43
<b>QUARTERLY SUMMARY</b>			
<b>OPENING BALANCE</b>		\$	<b>410,438.84</b>
<b>TOTAL CITY ADMIN FEES</b>		\$	<b>81,305.50</b>
<b>TOTAL DWP ADMIN FEES</b>		\$	<b>16,952.50</b>
<b>TOTAL INTEREST</b>		\$	<b>4,573.03</b>
<b>REIMBURSEMENT-PERSONNEL</b>		\$	<b>(118,838.14)</b>
<b>CONSULTING-MERCER</b>		\$	<b>(22,490.30)</b>
<b>OFFICE &amp; ADMIN</b>		\$	<b>-</b>
<b>NAGDCA</b>		\$	<b>(600.00)</b>
<b>ENDING BALANCE</b>		\$	<b>371,341.43</b>

