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DEFERRED COMPENSATION PLAN BOARD REPORT 07-38



Date: October 1, 2007

To: Board of Deferred Compensation Administration

From: Staff

Subject: Deferred Compensation Plan Budget Status Report - Quarter Ending 6/30/07

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 6/30/07; and (b) approve reimbursement from the Deferred Compensation Plan Trust Fund #896 to the Personnel Department for \$65,119.86 for the quarter ending 6/30/07.

Discussion:

Staff has completed its budgetary review and reconciliation of administrative fees/expenses for the quarter ending 6/30/07. 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 to the Personnel Department from the Payroll Fee Trust Fund #896 in the amount of \$65,119.86. Please note that the period ending 6/30/07 is the last for which the Plan will use the following reimbursement formula. Beginning 7/1/07 reimbursements will follow the new, higher methodology recently approved by the Board and which is in the process of being approved by the City Council. The calculations for the current quarter reimbursement include the following:

- 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)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. This calculation incorporates all of the Plan's recently approved fee reductions and higher reimbursement assumptions. Despite these fee reductions and higher reimbursements, staff's estimates suggest that the Plan's surplus may not be reduced by as much as previously forecast – this would appear to be the result of stronger than expected growth in Plan assets. However, no definitive conclusions should be drawn until the Plan collects at least 1-2 quarters of hard data on revenue and expenses under the new methodology.

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

PROJECTED REVENUE/EXPENSES: 7/1/07-6/30/08	
REVENUE	
Projected Fee Revenue to Administrative Fee Reserve Fund	\$ 2,139,046
Projected Interest Earnings	\$ 80,000
Total	\$ 2,219,046
ANNUAL EXPENSES	
Great-West Administrative Fee	\$ (1,535,155)
Salary & Related Costs Reimbursements	\$ (580,178)
NAGDCA Dues/Conference Expenses	\$ (25,000)
Consulting Fees	\$ (200,000)
Quarterly Fee - Asset Allocation Funds	\$ (18,000)
Total	\$ (2,358,333)
Annual Revenue Less Annual Expenses	\$ (139,287)
PLAN SURPLUS	
Payroll Fee Balance 6/30/07	\$ 371,189
Payroll Fee Liabilities through 6/30/07	\$ (65,120)
Administrative Fee Balance 6/30/07	\$ 2,873,482
Total Assets	\$ 3,179,551
Projected Net Surplus: 6/30/08	\$ 3,040,264

Submitted by: _____
Natasha Zuvich

Reviewed by: _____
Steven Montagna

Approved by: _____
Maryanne Keehn

DEFERRED COMPENSATION PLAN QUARTERLY BUDGET REVIEW	
ADMINISTRATIVE AND OPERATING EXPENSES	
QUARTER ENDING 6/30/07	
STARTING BALANCE	
Payroll Fee Trust Fund Ending Balance - 3/31/07	\$ 371,341
Administrative Fee Reserve Fund Balance - 3/31/07	\$ 2,503,727
Total	\$ 2,875,068
REVENUES/FEES	
City Payroll Administrative ("Fifty Cent") Fees	\$ 70,717
DWP Payroll Administrative ("Fifty Cent") Fees	\$ 14,770
Interest Earnings on Payroll Fee Trust Fund	\$ 6,070
Administrative Fee Reserve Fund Deposits	\$ 345,273
Interest Earnings on Administrative Fee Reserve Fund	\$ 32,075
Total Revenue/Fees	\$ 468,904
STARTING BALANCE + REVENUE/FEES	\$ 3,343,972
EXPENDITURES	
Personnel Department Reimbursements	\$ (64,574)
Consulting Costs	\$ (26,472)
NAGDCA	\$ (691)
Office & Admin	\$ 30
Quarterly Fee - Asset Allocation Funds	\$ (7,593)
TOTAL EXPENDITURES	\$ (99,301)
Actual Payroll Fee Trust Fund Ending Balance (6/30/07)	\$ 371,189
Actual Administrative Fee Reserve Fund Ending Balance (6/30/07)	\$ 2,873,482
ACTUAL TOTAL BALANCE AS OF 6/30/07	\$ 3,244,671
ENCUMBRANCES/LIABILITIES	
Reimbursements: (Personnel: 3 Mos. Ending 6/30/07)	\$ (65,120)
TOTAL LIABILITIES	\$ (65,120)
ASSETS LESS EXPENDITURES/LIABILITIES	\$ 3,179,551
Personnel Reimbursement Summary - 3 Months Ending 3/31/07	
Personnel - Salaries	\$ 49,790.00
Personnel - FY 06-07 Retirement @ 24.48%	\$ 12,188.59
Personnel - Office Supplies	\$ 1,000.00
Personnel - Overhead	\$ 2,141.27
Personnel Reimbursements	\$ 65,119.86

TRUST FUND ACTIVITY REPORT			
Quarterly Summary - 6/30/07			
APRIL '07			
Opening Balance		\$	371,341.43
CR-DWP ADMIN FEES	04/09/07	\$	2,451.50
CR-CITY ADMIN FEES	04/12/07	\$	11,727.50
CR-DWP ADMIN FEES	04/24/07	\$	2,443.00
CR-CITY ADMIN FEES	04/26/07	\$	11,756.00
OFFICE & ADMIN (MISC.)	04/13/07	\$	15.00
CONSULTING-MERCER	04/04/07	\$	(4,063.11)
NAGDCA (Reimbursement)	04/06/07	\$	(691.48)
JV-INTEREST	04/16/07	\$	2,186.19
	Subtotal->	\$	397,166.03
MAY '07			
CR-CITY ADMIN FEES	05/10/07	\$	11,825.00
CR-DWP ADMIN FEES	05/09/07	\$	2,459.50
CR-CITY ADMIN FEES	05/23/07	\$	11,768.00
CR-DWP ADMIN FEES	05/22/07	\$	2,475.00
CONSULTING-MERCER	05/07/07	\$	(10,252.50)
JV-INTEREST	05/10/07	\$	1,451.31
	Subtotal->	\$	416,892.34
JUNE '07			
CR-CITY ADMIN FEES	06/07/07	\$	11,791.00
CR-DWP ADMIN FEES	06/05/07	\$	2,468.00
CR-DWP ADMIN FEES	06/18/07	\$	2,472.50
CR-CITY ADMIN FEES	06/20/07	\$	11,849.00
OFFICE & ADMIN (MISC.)	06/07/07	\$	15.00
CONSULTING-MERCER	06/13/07	\$	(12,156.52)
REIMBURSEMENT-PERSONNEL	06/29/07	\$	(64,574.38)
JV-INTEREST	06/14/07	\$	1,534.69
JV-INTEREST	06/29/07	\$	897.55
	Subtotal->	\$	371,189.18
QUARTERLY SUMMARY			
OPENING BALANCE		\$	371,341.43
TOTAL CITY ADMIN FEES		\$	70,716.50
TOTAL DWP ADMIN FEES		\$	14,769.50
TOTAL INTEREST		\$	6,069.74
REIMBURSEMENT-PERSONNEL		\$	(64,574.38)
CONSULTING-MERCER		\$	(26,472.13)
OFFICE & ADMIN		\$	30.00
NAGDCA		\$	(691.48)
ENDING BALANCE		\$	371,189.18

