

# DEFERRED COMPENSATION PLAN BOARD REPORT 11-41

Date: June 7, 2011  
 To: Board of Deferred Compensation Administration  
 From: Staff  
 Subject: Deferred Compensation Plan Budget Status Report:  
 Quarter Ending 12/31/10

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 **12/31/10**; (b) for this same quarter, approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$153,968.56**; and City Attorney for **\$14,018.46**.

Discussion:

**Reimbursements** - Staff is recommending reimbursement from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for \$153,968.56 and City Attorney for \$14,018.46 for the quarter ending 12/31/10. These amounts are net of certain adjustments for the four quarters in Fiscal Year (FY) 09/10.

The adjustments are required as a result of finalization of the City Controller's Cost Allocation Plan (CAP) rates, which are used to calculate indirect costs. When the Board originally adopted the reimbursements the calculations were based on *draft* indirect costs that were obtained from the Controller's Office for FY 09/10. Those draft indirect costs for Personnel and City Attorney were 82.98% and 88.7%, respectively. The Controller recently finalized the actual CAP rates for that period. The *final* indirect costs for Personnel and City Attorney are 84.3% and 67.21%, respectively.

Staff is now proposing that the reimbursement for the quarter ending 12/31/10 be net of adjustments for FY 09/10. Following are the details of the calculations and adjustments.

Personnel Calculation – The Personnel Department reimbursement amount for the quarter ending 12/31/10 is \$150,933.22. The final CAP rate for Personnel was slightly higher than the originally used estimated rate. The adjustment amount of \$3,025.34 was calculated as indicated in the following table.

PERSONNEL DEPARTMENT - SALARY REIMBURSEMENTS			
Quarter Ending Dates	Reimbursed Amount - Cap Rate 32 FY 09/10 (Draft) 82.98%	Adjustment- Cap Rate 32 FY 09/10 (Final) 84.3%	Difference
9/30/2009	\$ 118,217.01	\$ 119,069.82	\$ 852.81
12/31/2009	\$ 94,585.85	\$ 95,268.18	\$ 682.33

3/31/2010	\$	91,389.79	\$	92,049.07	\$	659.28
6/30/2010	\$	116,569.30	\$	117,410.22	\$	840.92
Total Amount for FY 09/10	\$	420,761.95	\$	423,797.29		
<b>FY 09/10 Adjustment (Personnel) -----&gt;</b>					<b>\$</b>	<b>3,035.34</b>
<b>Quarter Ending 12/31/10 Amount Due Personnel* -&gt;</b>					<b>\$</b>	<b>150,933.22</b>
<b>Net Amount Due Personnel -----&gt;</b>					<b>\$</b>	<b>153,968.56</b>

City Attorney Calculation – The total City Attorney reimbursement amount for the quarter ending 12/31/10 is \$27,618.26. The final CAP rate for Personnel was lower<sup>1</sup> than the originally used estimated rate. The adjustment amount of \$14,018.46 was calculated as indicated in the following table.

<b>CITY ATTORNEY - SALARY REIMBURSEMENTS</b>			
Quarter Ending Dates	Reimbursed Amount - Cap Rate 32 FY 09/10 (Draft) 88.7%	Adjustment- Cap Rate 32 FY 09/10 (Final) 67.21%	Difference
9/30/2009	\$ 30,753.55	\$ 27,251.20	\$ (3,502.35)
12/31/2009	\$ 30,935.38	\$ 27,412.32	\$ (3,523.06)
3/31/2010	\$ 26,605.87	\$ 23,575.88	\$ (3,029.99)
6/30/2010	\$ 31,122.77	\$ 27,578.37	\$ (3,544.40)
Total Amount for FY 09/10	\$ 119,417.57	\$ 105,817.77	
<b>FY 09/10 Adjustment (City Atty) -----&gt;</b>			<b>\$ (13,599.80)</b>
<b>Quarter Ending 12/31/10 Amount Due City Atty*--&gt;</b>			<b>\$ 27,618.26</b>
<b>Net Amount Due City Atty-----&gt;</b>			<b>\$ 14,018.46</b>

\* Note: Calculations for the quarter ending 12/31/10 include estimated CAP rates for FY 10/11. Should the final rates differ from the estimated, an adjustment for the 12/31/10 quarter, as well as one or more of the remaining quarters of FY 10/11, may be similarly required. Final CAP rates are not expected to be issued by the Controller until after the fiscal year closes.

The Department of Water and Power's indirect cost rate for 09/10 fiscal year did not change. Therefore, no adjustment to prior Department of Water and Power reimbursements is required. The Plan ended its reimbursements to Department of Water and Power effective 7/1/10 following transfer of their payroll duties to Personnel Department staff.

**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: 1/01/11-12/31/15**

Quarter Ending:	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Starting Balance	\$ 3,331,769	\$ 3,236,417	\$ 3,175,454	\$ 3,181,772	\$ 3,178,130
Estimated Interest Earnings	\$ 166,588	\$ 161,821	\$ 158,773	\$ 159,089	\$ 158,906
Estimated Total Revenue	\$ 2,448,640	\$ 2,554,527	\$ 2,670,198	\$ 2,797,985	\$ 2,934,776
Estimated Expenses	\$ (2,710,581)	\$ (2,777,311)	\$ (2,822,653)	\$ (2,960,716)	\$ (2,985,328)
Difference between revenue/expenses	\$ (261,941)	\$ (222,784)	\$ (152,455)	\$ (162,731)	\$ (50,553)
Estimated Surplus Balance	\$ 3,236,417	\$ 3,175,454	\$ 3,181,772	\$ 3,178,130	\$ 3,286,483

<sup>1</sup> According to the Controller, the reason for the more substantial reduction in the City Attorney CAP rate is that the original estimate included certain indirect expenses that were subsequently removed.

## PROJECTED FEE REVENUES DETAIL

Account Size	Participants	Account Values	Revenue Estimates				
			12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
Less than \$25k	16,957	\$ 164,638,254	\$ 179,456	\$ 195,607	\$ 213,211	\$ 232,400	\$ 253,316
\$25k-\$50k	6,474	\$ 234,839,672	\$ 255,975	\$ 279,013	\$ 304,124	\$ 331,495	\$ 361,330
\$50k-\$75k	3,642	\$ 224,972,024	\$ 245,220	\$ 267,289	\$ 291,345	\$ 317,566	\$ 346,147
\$75k-\$100k	2,629	\$ 227,629,483	\$ 248,116	\$ 270,447	\$ 294,787	\$ 321,318	\$ 350,236
\$100k-\$200k	6,318	\$ 910,329,446	\$ 805,545	\$ 821,656	\$ 838,089	\$ 854,851	\$ 871,948
\$200k-\$300k	2,561	\$ 617,267,975	\$ 326,528	\$ 333,058	\$ 339,719	\$ 346,514	\$ 353,444
\$300k-\$400k	922	\$ 315,199,885	\$ 117,555	\$ 119,906	\$ 122,304	\$ 124,750	\$ 127,245
\$400k-\$500k	391	\$ 174,032,192	\$ 49,853	\$ 50,850	\$ 51,867	\$ 52,904	\$ 53,962
Over \$500k	422	\$ 285,951,979	\$ 53,805	\$ 54,881	\$ 55,979	\$ 57,098	\$ 58,240
Total-->	40,316	\$ 3,154,860,910	\$ 2,282,052	\$ 2,392,706	\$ 2,511,425	\$ 2,638,897	\$ 2,775,869

## PROJECTED EXPENSES DETAIL

Annual Expenses	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Admin Fees Owed to GWRS	\$ 1,634,612	\$ 1,667,304	\$ 1,700,651	\$ 1,734,664	\$ 1,769,357
Salary/Related Costs	\$ 756,924	\$ 794,770	\$ 834,509	\$ 876,234	\$ 893,759
Consulting Costs	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Training/Education	\$ 53,045	\$ 54,636	\$ 56,275	\$ 57,964	\$ 59,703
Quarterly-Fee Allocation Funds	\$ 36,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
Election Administration	\$ 60,000	\$ 30,000	\$ -	\$ 60,000	\$ 30,000
Office/Admin/Equipment	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510
	\$ 2,710,581	\$ 2,777,311	\$ 2,822,653	\$ 2,960,716	\$ 2,985,328

The Board's targeted surplus level is \$1.5 million. This projection indicates that the target will be exceeded over each of the next five years.

Submitted by: \_\_\_\_\_  
Natasha Gameroz

Reviewed by: \_\_\_\_\_  
Steven Montagna

Approved by: \_\_\_\_\_  
Alejandrina Basquez

<b>DEFERRED COMPENSATION PLAN QUARTERLY BUDGET REVIEW</b>		
<b>ADMINISTRATIVE AND OPERATING EXPENSES</b>		
<b>QUARTER ENDING 12/31/10</b>		
<b>STARTING BALANCE</b>		
Payroll Fee Trust Fund Ending Balance - 9/30/10	\$	150,829
Administrative Fee Reserve Fund Balance - 9/30/10	\$	4,114,050
Total	\$	4,264,879
<b>REVENUES/FEES</b>		
Interest Earnings on Payroll Fee Trust Fund	\$	82
Administrative Fee Reserve Fund Deposits	\$	(242,120)
Interest Earnings on Administrative Fee Reserve Fund	\$	27,033
Miscellaneous Revenues	\$	30
Total Revenue/Fees	\$	(214,975)
<b>STARTING BALANCE + REVENUE/FEES</b>	<b>\$</b>	<b>4,049,903</b>
<b>EXPENDITURES</b>		
Participant Administrative Fees Paid to Great-West	\$	(190,562)
Personnel Department Reimbursements	\$	-
City Attorney Reimbursements	\$	-
Consulting Costs	\$	-
2130 Travel/Training/Education	\$	(16,565)
4160 Governmental Meetings	\$	-
6010 Office and Administrative	\$	-
7300 Office Furniture & Equipment	\$	-
GWRS Quarterly Fee - Asset Allocation Fund Management	\$	(9,000)
TOTAL EXPENDITURES	\$	(216,127)
Actual Payroll Fee Trust Fund Ending Balance (12/31/10)	\$	134,375
Actual Administrative Fee Reserve Fund Ending Balance (12/31/10)	\$	3,778,355
<b>ACTUAL TOTAL BALANCE AS OF 12/31/10</b>	<b>\$</b>	<b>3,912,730</b>
<b>ENCUMBRANCES/LIABILITIES</b>		
Reimbursements: 3 Mos. Ending 9/30/09 (City Attorney)	\$	(30,754)
Reimbursements: 3 Mos. Ending 3/31/10 (Personnel)	\$	(91,390)
Reimbursements: 3 Mos. Ending 6/30/10	\$	(149,090)
Reimbursements: 3 Mos. Ending 9/30/10	\$	(131,176)
Reimbursements: 3 Mos. Ending 12/31/10	\$	(167,987)*
TOTAL LIABILITIES	\$	(570,396)
<b>ASSETS LESS EXPENDITURES/LIABILITIES</b>	<b>\$</b>	<b>3,342,334</b>
<b>Personnel Reimbursement Summary - 3 Months Ending 12/31/10</b>		
Personnel - Salaries + Related Costs @ 84.3%	\$	150,933.22
City Attorney - Salaries + Related Costs @ 67.21%	\$	27,618.26
Total Reimbursements	\$	178,551.48

\*This figure includes adjustments to address the CAP 32 rate differential for the FY 09/10 for Personnel Department and City Attorney

