

# DEFERRED COMPENSATION PLAN BOARD REPORT 11-75

Date: November 1, 2011  
To: Board of Deferred Compensation Administration  
From: Staff  
Subject: Deferred Compensation Plan Budget Status Report:  
Quarter Ending 6/30/11

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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 **6/30/11**; (b) for this same quarter, approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$152,812.26**; and City Attorney for **\$30,501.91**.

## Discussion:

**Reimbursements** - Staff is recommending reimbursement from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for \$152,812.26 and City Attorney for \$30,501.91 for the quarter ending 6/30/11. 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. The CAP 33 rates, which covers FY 10-11, are expected to be released by the end of 2011. Therefore, staff has used the final CAP 32 rates, which cover FY 09-10 and will address the adjustment in a future quarterly reconciliation should the final rates differ from CAP 32. The indirect costs for Personnel and City Attorney are 84.3% and 67.21% respectively. Quarterly activity in the Plan's revenue/expenditure accounts is included in Attachment I.

**Salary/Related Costs** – At the September 20, 2011 Board meeting, staff had discussed making some adjustments to the budgeted expenditures for Deferred Compensation Plan staffing. The City had introduced a new “cost accounting” system in July 2011 to capture how City employees allocate their time to various tasks. The intent of this cost accounting system is to better reflect where time is being allocated and the appropriate funding source for that time. For Deferred Compensation and City Attorney staff, this system has provided greater clarity and precision for time allocation.

In the future budget reconciliation reports, staff will recommend reimbursement to the Departments based on the actual hours that reflect under the new cost accounting system.

**Rolling Five-year Projected Income/Expenses** – Following is a rolling five-year forecast of revenue/expenses for the Deferred Compensation Plan budget accounts. This forecast incorporates assumptions discussed at the Board’s September 20, 2011 Board meeting.

**PROJECTED REVENUE/EXPENSES: 7/01/11- 6/30/16**

Quarter Ending:	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016
Starting Balance	\$ 2,616,040	\$ 2,366,557	\$ 2,071,900	\$ 1,753,019	\$ 1,441,365
Estimated Interest Earnings	\$ 78,481	\$ 70,997	\$ 62,157	\$ 52,591	\$ 43,241
Estimated Total Revenue	\$ 2,283,099	\$ 2,341,830	\$ 2,402,944	\$ 2,466,553	\$ 2,532,778
Estimated Expenses	\$ (2,611,063)	\$ (2,707,484)	\$ (2,783,981)	\$ (2,830,798)	\$ (2,854,151)
Difference between revenue/expenses	\$ (327,964)	\$ (365,654)	\$ (381,038)	\$ (364,245)	\$ (321,373)
Estimated Surplus Balance	\$ 2,366,557	\$ 2,071,900	\$ 1,753,019	\$ 1,441,365	\$ 1,163,233
Reserve Target (50% Annual Operating Expenses)	\$ 1,305,531	\$ 1,353,742	\$ 1,391,991	\$ 1,415,399	\$ 1,427,075
Estimated Balance Over/Under Reserves	\$ 1,061,025	\$ 718,158	\$ 361,028	\$ 25,966	\$ (263,843)

**ASSUMPTIONS TABLE SUMMARY**

Basis Points	0.100%	Fee Cap	\$ 125	Asset Growth Adjustment Factor	5.0%
Expenses Inflation Adjustment Factor	2.0%	Enrollment Adjustment Factor	1.0%	Stable Value Funds Interest Assumption	3.0%

**PROJECTED FEE REVENUES DETAIL**

Account Size	Participants	Account Values	Revenue Estimates				
			6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015
Less than \$25k	16,536	\$ 162,589,541	\$ 170,719	\$ 179,255	\$ 188,218	\$ 197,629	\$ 207,510
\$25k-\$50k	6,471	\$ 234,002,482	\$ 245,703	\$ 257,988	\$ 270,887	\$ 284,431	\$ 298,653
\$50k-\$75k	3,675	\$ 226,939,910	\$ 238,287	\$ 250,201	\$ 262,711	\$ 275,847	\$ 289,639
\$75k-\$100k	2,661	\$ 231,234,891	\$ 242,797	\$ 254,936	\$ 267,683	\$ 281,067	\$ 295,121
\$100k-\$200k	6,235	\$ 899,393,073	\$ 787,169	\$ 795,040	\$ 802,991	\$ 811,021	\$ 819,131
\$200k-\$300k	2,832	\$ 682,042,191	\$ 357,540	\$ 361,115	\$ 364,727	\$ 368,374	\$ 372,058
\$300k-\$400k	1,013	\$ 346,000,840	\$ 127,891	\$ 129,170	\$ 130,462	\$ 131,766	\$ 133,084
\$400k-\$500k	418	\$ 185,650,168	\$ 52,773	\$ 53,300	\$ 53,833	\$ 54,372	\$ 54,915
Over \$500k	477	\$ 321,373,427	\$ 60,221	\$ 60,823	\$ 61,432	\$ 62,046	\$ 62,666
Total-->	40,318	\$ 3,289,226,523	\$ 2,283,099	\$ 2,341,830	\$ 2,402,944	\$ 2,466,553	\$ 2,532,778

**PROJECTED EXPENSES DETAIL**

<b>Annual Expenses</b>	<b>6/30/2012</b>	<b>6/30/2013</b>	<b>6/30/2014</b>	<b>6/30/2015</b>	<b>6/30/2016</b>
Admin Fees Owed to GWRS	\$ 1,505,462	\$ 1,520,517	\$ 1,535,722	\$ 1,551,079	\$ 1,566,590
Salary/Related Costs	\$ 686,315	\$ 776,435	\$ 815,257	\$ 856,020	\$ 873,141
Consulting Costs	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000
Training/Education	\$ 54,636	\$ 55,729	\$ 56,843	\$ 57,980	\$ 59,140
Hardship Administration Costs	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Quarterly-Fee Allocation Funds	\$ 72,000	\$ 72,000	\$ 72,000	\$ 72,000	\$ 72,000
Election Administration	\$ 10,000	\$ -	\$ 21,200	\$ 10,600	\$ -
Office/Admin/Equipment	\$ 7,650	\$ 7,803	\$ 7,959	\$ 8,118	\$ 8,281
	<b>\$ 2,611,063</b>	<b>\$ 2,707,484</b>	<b>\$ 2,783,981</b>	<b>\$ 2,830,798</b>	<b>\$ 2,854,151</b>

Based on a target surplus level of 50%, or six months, of Plan annual operating expenses, this projection indicates 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 6/30/11</b>		
<b>STARTING BALANCE</b>		
Payroll Fee Trust Fund Ending Balance - 3/31/11	\$	11,813
Administrative Fee Reserve Fund Balance - 3/31/11	\$	3,117,105
Total	\$	3,128,918
<b>REVENUES/FEES</b>		
Interest Earnings on Payroll Fee Trust Fund	\$	753
Administrative Fee Reserve Fund Deposits	\$	72,958
Interest Earnings on Administrative Fee Reserve Fund	\$	23,544
Administrative Fee Deducted from Participant Accounts	\$	542,893
Miscellaneous Revenues	\$	45
Total Revenue/Fees	\$	640,193
<b>STARTING BALANCE + REVENUE/FEES</b>	<b>\$</b>	<b>3,769,111</b>
<b>EXPENDITURES</b>		
Participant Administrative Fees Paid to Great-West	\$	(400,660)
Unforeseen Emergency Withdrawal Service	\$	(26,750)
Personnel Department Reimbursements	\$	(107,773)
City Attorney Reimbursements	\$	(23,402)
Consulting Costs	\$	(78,954)
Election Costs	\$	(25,690)
2130 Travel/Training/Education	\$	-
4160 Governmental Meetings	\$	-
6010 Office and Administrative	\$	-
7300 Office Furniture & Equipment	\$	-
GWRS Quarterly Fee - Asset Allocation Fund Management	\$	(9,000)
TOTAL EXPENDITURES	\$	(672,229)
Actual Payroll Fee Trust Fund Ending Balance (6/30/11)	\$	11,813
Actual Administrative Fee Reserve Fund Ending Balance (6/30/11)	\$	3,117,105
<b>ACTUAL TOTAL BALANCE AS OF 6/30/11</b>	<b>\$</b>	<b>3,128,918</b>
<b>ENCUMBRANCES/LIABILITIES</b>		
Reimbursements: 3 Mos. Ending 12/31/10	\$	(167,987)
Reimbursements: 3 Mos. Ending 3/31/11	\$	(161,577)
Reimbursements: 3 Mos. Ending 6/30/11	\$	(183,314)
TOTAL LIABILITIES	\$	(512,878)
<b>ASSETS LESS EXPENDITURES/LIABILITIES</b>	<b>\$</b>	<b>2,616,040</b>
<b>Personnel Reimbursement Summary - 3 Months Ending 6/30/11</b>		
Personnel - Salaries + Related Costs @ 84.3%	\$	152,812.26
City Attorney - Salaries + Related Costs @ 67.21%	\$	30,501.91
Total Reimbursements	\$	183,314.18

