

Deferred Compensation Plan BOARD REPORT 17-33

Date: September 19, 2017

To: Board of Deferred Compensation Administration

From: Staff

Subject: Budget Review and Reserve Fund
Reimbursements: Quarter Ending 06/30/17

*Board of Deferred
Compensation Administration*
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Recommendation:

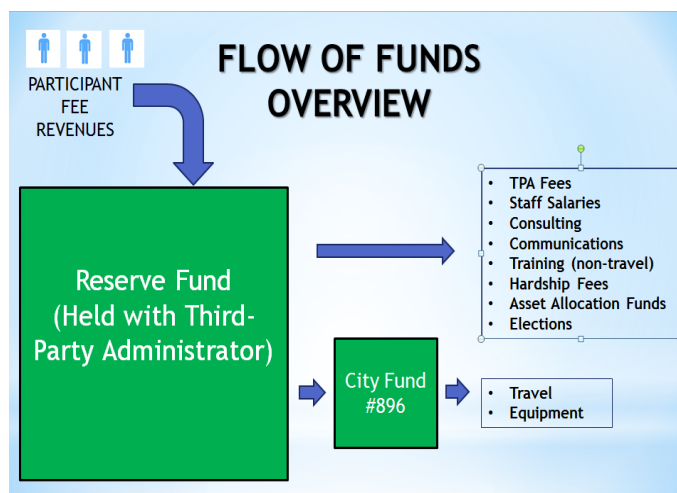
That the Board of Deferred Compensation (a) receive and file status report on Deferred Compensation Plan budget accounts for quarter ending 06/30/17; and (b) approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$113,828.64** and City Attorney for **\$12,227.25** for the quarter ending 06/30/17.

Discussion:

Reimbursements - Staff recommends reimbursement from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$113,828.64** and City Attorney for **\$12,227.25** for the quarter ending 06/30/17. Quarterly activity in the Plan's revenue/expenditure accounts is included in Attachment A. Calculations for the current quarters include salaries for all positions presently servicing the Plan, including direct salary and indirect costs as calculated in the City Controller-calculated Special Rates Calculation for Indirect Cost Centers ("Special Rates"). These rates are subject to revision by the Controller. If they are revised, staff will address the adjustment in a future quarterly reconciliation. Special Rates (39) for Personnel and City Attorney are presently 89.37% and 84.04% respectively for the FY 16-17.

Reserve Fund Projection – All of the City's internal administrative costs are required to be paid by participant fees. Two accounts are used to pay expenses: a fund held with the Plan administrator which acts as a repository for participant fees and from which most Plan expenses are paid; and a fund held within the City, from which travel and equipment purchases are made, as illustrated in the graphic on the right.

In order to maintain stability within the fee structure, the Plan maintains a reserve balance. The target reserve amount is 50% of annual Plan operating expenses. Each quarter when staff submits its accounting and recommendations for

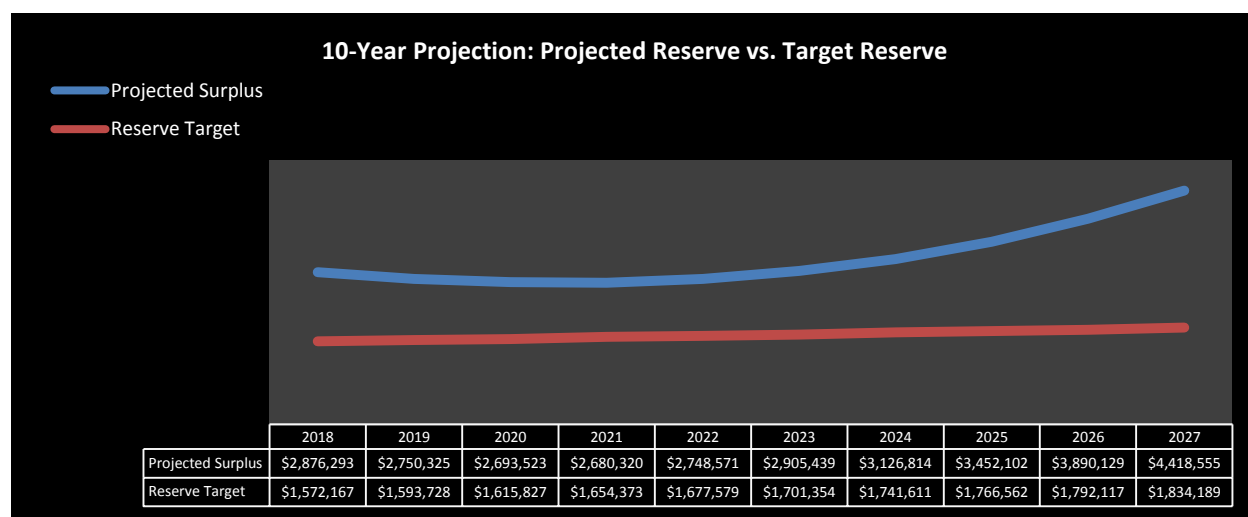


reimbursing administrative costs, a long-term projection is updated using assumptions for key variables that have been considered by the Board. This information is generated so that the Board can compare the long-term projected reserve to the target reserve.

The Board last reviewed long-term assumptions for Plan revenues/expenditures at its April 2017 meeting. The Board adopted assumptions and key variables as follows:

<i>Expenses Inflation Adjustment Factor</i>	<i>Enrollment Adjustment Factor</i>	<i>Asset Growth Adjustment Factor</i>	<i>Stable Value Funds Interest Assumption</i>	<i>Basis Points Charged Against Participant Accounts</i>	<i>Fee Cap</i>	<i>Personnel Avg. Cap Rate</i>	<i>City Attorney Avg. Cap Rate</i>
2.0%	2.0%	6.5%	2.0%	0.10%	\$125	1.0	1.0

With each quarterly review staff provides a ten-year projection of the reserve fund balance. As a result, following is a rolling ten-year forecast of the Deferred Compensation Plan's reserve fund balance.



As indicated in the chart above, staff has calculated the projected surplus relative to the targeted reserve amount over a ten-year period. Presently the surplus is projected to be above the target reserve over the entire period. The lowest projected amount above the target reserve is **\$1,025,947** in 2021, increasing to \$2.58 million above target in 2027.

Submitted by: _____
Matthew Vong

Approved by: _____
Steven Montagna

DEFERRED COMPENSATION PLAN QUARTERLY REVIEW OF REVENUES & EXPENSES				
	Pending	Adopted	Adopted	Adopted
	Ending	Ending	Ending	Ending
REVENUE & EXPENSE LINE ITEMS	6/30/2017	3/31/2017	12/30/2016	9/30/2016
STARTING BALANCE				
Payroll Fee Trust Fund Ending Balance	\$ 41,012	44,304	51,339	56,540
Administrative Fee Reserve Fund Balance	\$ 3,075,538	3,104,611	3,190,857	3,573,953
Total	\$ 3,116,550	3,148,915	3,242,196	3,630,494
REVENUES/FEEES				
Interest Earnings on Payroll Fee Trust Fund	\$ 163	461	568	91
Payroll Fee Trust Fund Deposit: Travel	\$ -	0	0	0
Payroll Fee Trust Fund Deposit: Salary Reimbursements	\$ 132,946	100,164	298,901	610,948
Interest Earnings on Administrative Fee Reserve Fund	\$ 14,569	13,806	14,676	15,328
Revenue from Fees Deducted from Participant Accounts	\$ 688,845	675,824	666,080	654,937
CAP Adjustment Credits	\$ -			
Miscellaneous Credits	\$ -	15	435	14
Total Revenue/Fees	\$ 836,524	790,270	980,661	1,281,318
TOTAL ASSETS (STARTING BALANCE + REVENUE/FEEES)	\$ 3,953,074	3,939,185	4,222,857	4,911,812
EXPENDITURES				
Participant Administrative Fees Paid to TPA	\$ (401,356)	(398,130)	(394,969)	(391,910)
Prior Quarter Departmental Staffing Reimbursements	\$ (132,946)	(333,274)	(597,803)	(1,221,866)
Consulting Costs	\$ (59,296)	(32,885)	(30,485)	(14,247)
Plan Administrator Hardship Administration	\$ (16,250)	(19,500)	(18,750)	(16,500)
Plan Administrator Asset Allocation Fund Management	\$ (17,750)	(17,750)	(17,750)	(17,750)
Communications	\$ -	(16,078)	(4,717)	(786)
2130 Travel/Training/Education	\$ -	(599)	(7,618)	(5,307)
Travel/Training/Education	\$ -	0	(600)	0
Elections Administration	\$ (13,620)	0	0	0
Wells Fargo Custodial Fees	\$ (1,250)	(1,250)	(1,250)	(1,250)
6010 Office and Administrative	\$ (575)	(3,169)	0	0
4160 Governmental Meetings	\$ -	0	0	0
TOTAL EXPENDITURES	\$ (643,042)	(822,635)	(1,073,942)	(1,669,616)
Actual Payroll Fee Trust Fund Ending Balance	\$ 40,600	41,012	44,304	51,339
Actual Administrative Fee Reserve Fund Ending Balance	\$ 3,269,431	3,075,538	3,104,611	3,190,857
ACTUAL TOTAL ENDING BALANCE	\$ 3,310,032	3,116,550	3,148,915	3,242,196
ENCUMBRANCES/LIABILITIES				
Outstanding Staff Reimbursements from Prior Quarter(s)	\$ (118,350.62)	(132,946)	(100,164)	(298,901)
FY 15-16 Personnel Adjustments (Corrected Special Rate)	n/a	n/a	n/a	14,405
FY 15-16 City Attorney Adjustments (Corrected Special Rate)	n/a	n/a	n/a	11,593
Quarterly Personnel Direct/Indirect Costs	\$ (113,828.64)	(108,597)	(107,464)	(107,499)
Quarterly City Attorney Direct/Indirect Costs	\$ (12,227.25)	(9,754)	(25,483)	(18,663)
Net Ending Balance Owed	\$ (244,407)	(251,297)	(233,111)	(399,065)
TOTAL ASSETS LESS LIABILITIES	3,065,625	2,865,253	2,915,804	2,843,131