

# Deferred Compensation Plan BOARD REPORT 18-05

Date: January 16, 2018

To: Board of Deferred Compensation Administration

From: Staff

Subject: Deferred Compensation Plan:

- Quarterly Staffing Cost Reimbursements - Quarter Ending 09/30/17
- 2018 Budget Formulation and Plan Governance Committee Review of Long-Term Revenues/Expenses

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## Recommendation:

That the Board of Deferred Compensation: (a) approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$133,195.35** and City Attorney for **\$21,074.01** for the quarter ending 09/30/17; and (b) direct the Plan Governance & Administrative Issues Committee to convene for the purpose of reviewing long-term Plan revenues and expenses and developing recommendations for further action.

## Discussion:

### **A. Quarterly Staffing Cost Reimbursements – Quarter Ending 09/30/17**

Staff recommends reimbursement from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$133,195.35** and City Attorney for **\$21,074.01** for the quarter ending 09/30/17. Quarterly activity in the Plan's revenue/expenditure accounts is included in **Attachment A**. Calculations for the current quarter 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"). For the purpose of the quarter ending 09/30/17, staff is using Special Rates (39) for FY 16/17, as the City Controller has yet to release Special Rates (40) for application in FY 17/18. In addition, Special Rates (39) is subject to revision. As a result, any adjustments required after final rates are adopted for Special Rates (39) and/or (40) will be addressed in a future quarterly reconciliation. Special Rate (39) indirect cost rates for Personnel and City Attorney are presently 89.37% and 84.04%, respectively, for FY 16/17.

## **B. 2018 Budget Formulation and Plan Governance Committee Review of Long-Term Revenue/Expenses**

The Board's Deferred Compensation Plan Governance Policies and Bylaws/Fiscal Administration Policy, Section 5.2, provides that the Board adopt an annual budget at the beginning of each calendar year. As part of preparing a draft budget for 2018, staff incorporated updated data relative to Plan assets and participant accounts, as well as reductions in administrative costs following the change in Third-Party Administrator (TPA) services to Voya Financial (Voya) which occurred effective 09/27/17. Given both the sharp 15.4% rise in Plan assets in 2017 as well as the projected long-term impact of TPA fee reductions under Voya, staff is projecting larger annual and long-term operating surpluses than previously projected. As a result, staff recommends that prior to adopting a 2018 budget the Board direct its Plan Governance & Administrative Issues Committee (Committee) to reconvene for the purpose of reviewing Plan revenues and expenses and developing recommendations for further action. Staff will target a Committee meeting date within the last two weeks of January and, schedules permitting, return to the Board at its February 20, 2018 meeting with recommendations.

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                                       | 9/30/2017       | 6/30/2017 | 3/31/2017 | 12/30/2016  |
| <b>STARTING BALANCE</b>  |                 |           |           |             |
| Payroll Fee Trust Fund Ending Balance                              | \$ 40,695       | 41,012    | 44,304    | 51,339      |
| Administrative Fee Reserve Fund Balance                            | \$ 3,269,431    | 3,075,538 | 3,104,611 | 3,190,857   |
| Total  | \$ 3,310,126    | 3,116,550 | 3,148,915 | 3,242,196   |
| <b>REVENUES/FEEES</b>  |                 |           |           |             |
| Interest Earnings on Payroll Fee Trust Fund                        | \$ 87           | 163       | 461       | 568         |
| Payroll Fee Trust Fund Deposit: Travel                             | \$ -            | 0         | 0         | 0           |
| Payroll Fee Trust Fund Deposit: Salary Reimbursements              | \$ 118,351      | 132,946   | 100,164   | 298,901     |
| Interest Earnings on Administrative Fee Reserve Fund               | \$ 16,227       | 14,569    | 13,806    | 14,676      |
| Revenue from Fees Deducted from Participant Accounts               | \$ 698,095      | 688,845   | 675,824   | 666,080     |
| CAP Adjustment Credits   | \$              |           |           |             |
| Miscellaneous Credits  | \$ 227          | 0         | 15        | 435         |
| Total Revenue/Fees   | \$ 832,987      | 836,524   | 790,270   | 980,661     |
| <b>TOTAL ASSETS (STARTING BALANCE + REVENUE/FEEES)</b>             | \$ 4,143,113    | 3,953,074 | 3,939,185 | 4,222,857   |
| <b>EXPENDITURES</b>  |                 |           |           |             |
| Participant Administrative Fees Paid to TPA                        | \$ (405,228)    | (401,356) | (398,130) | (394,969)   |
| Prior Quarter Departmental Staffing Reimbursements                 | \$ (264,748)    | (132,946) | (333,274) | (597,803)   |
| Consulting Costs   | \$ (16,172)     | (59,296)  | (32,885)  | (30,485)    |
| Plan Administrator Hardship Administration                         | \$ (19,500)     | (16,250)  | (19,500)  | (18,750)    |
| Plan Administrator Asset Allocation Fund Management                | \$ (17,750)     | (17,750)  | (17,750)  | (17,750)    |
| Communications   | \$ (536)        | 0         | (16,078)  | (4,717)     |
| 2130 Travel/Training/Education                                     | \$ (3,688)      | 0         | (599)     | (7,618)     |
| Travel/Training/Education  | \$ -            | 0         | 0         | (600)       |
| Elections Administration   | \$ -            | (13,620)  | 0         | 0           |
| Wells Fargo Custodial Fees   | \$ (1,250)      | (1,250)   | (1,250)   | (1,250)     |
| 6010 Office and Administrative                                     | \$ -            | (575)     | (3,169)   | 0           |
| 4160 Governmental Meetings   | \$ -            | 0         | 0         | 0           |
| <b>TOTAL EXPENDITURES</b>  | \$ (728,872)    | (643,042) | (822,635) | (1,073,942) |
| Actual Payroll Fee Trust Fund Ending Balance                       | \$ 37,094       | 40,600    | 41,012    | 44,304      |
| Actual Administrative Fee Reserve Fund Ending Balance              | \$ 3,377,146    | 3,269,431 | 3,075,538 | 3,104,611   |
| <b>ACTUAL TOTAL ENDING BALANCE</b>                                 | \$ 3,414,240    | 3,310,032 | 3,116,550 | 3,148,915   |
| <b>ENCUMBRANCES/LIABILITIES</b>                                    |                 |           |           |             |
| Outstanding Reimbursements from Prior Quarter(s)                   | \$ (126,055.89) | (118,351) | (132,946) | (100,164)   |
| Quarterly Personnel Direct/Indirect Costs                          | \$ (133,195.35) | (113,829) | (108,597) | (107,464)   |
| Quarterly City Attorney Direct/Indirect Costs                      | \$ (21,074.01)  | (12,227)  | (9,754)   | (25,483)    |
| Net Ending Balance Owed  | \$ (280,325)    | (244,407) | (251,297) | (233,111)   |
| <b>TOTAL ASSETS LESS LIABILITIES</b>                               | 3,133,915       | 3,065,625 | 2,865,253 | 2,915,804   |

Notes: All staffing reimbursement amounts pending as of quarter ending 06/30/17 were processed in October 2017.