

Deferred Compensation Plan BOARD REPORT 17-09

Date: March 21, 2017
 To: Board of Deferred Compensation Administration
 From: Staff
 Subject: Deferred Compensation Plan Budget Status
 Report: Quarters Ending 12/31/16

Board of Deferred
Compensation Administration

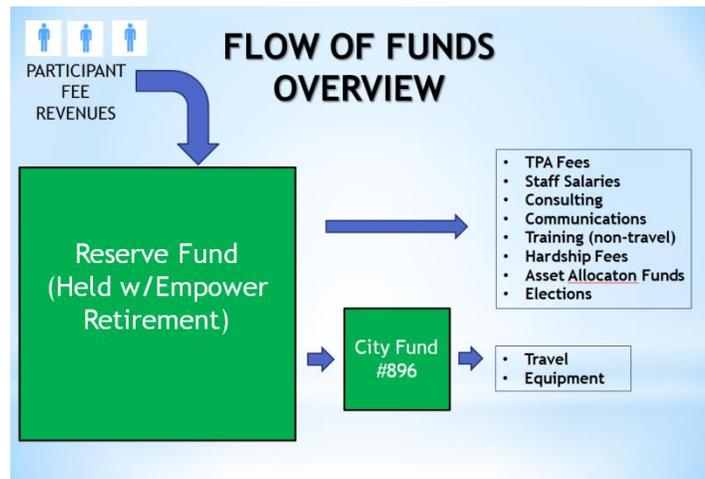
*John R. Mumma, Chairperson
 Michael Amerian, Vice- Chairperson
 Cliff Cannon, First Provisional Chair
 Raymond Ciranna, Second Provisional Chair
 Wendy G. Macy, Third Provisional Chair
 Linda P. Le
 Thomas Moutes
 Robert Schoonover
 Don Thomas*

Recommendation:

That the Board of Deferred Compensation (a) receive and file status report on Deferred Compensation Plan budget accounts for quarter ending 12/31/16; and (b) approve reimbursements from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$107,463.53** and City Attorney for **\$25,482.54** for the quarter ending 12/31/16.

Discussion:

Reimbursements - Staff recommends reimbursement from the Deferred Compensation Plan Reserve Fund accounts to the Personnel Department for **\$107,463.53** and City Attorney for **\$25,482.54** for the quarter ending 12/31/16. 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.



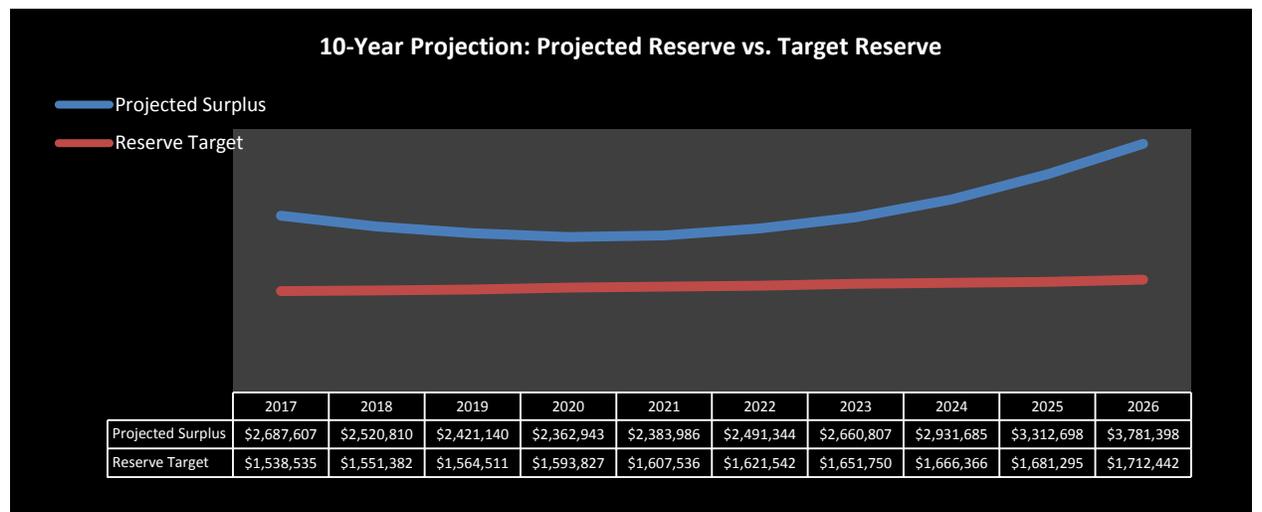
Reserve Fund Projection – All of the City’s internal administrative costs are required to be paid by participant fees. Two accounts are used to pay expenses: a fund held with the Plan administrator which acts as a repository for participant fees and from which most Plan expenses are paid; and a fund 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 its long-term assumptions for Plan revenues/expenditures at its November 2013 Strategic Plan review. The Board adopted assumptions and key variables as reflected below. These assumptions are being reviewed again by the Plan Governance and Administrative Issues Committee, which previously met on December 7, 2016, and will meet again as part of developing its recommendations to the Board.

<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%	1.0%	6.5%	2.75%	0.10%	\$125	1.15	0.75

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 **\$776,000** in 2022, increasing to \$2 million above target in 2026. This information is being considered by the Plan Governance & Administrative Issues Committee as it is in the process of developing its recommendations to the Board regarding assumptions, expenses, and participant fees.

Submitted by:

Matthew Vong

Approved by:

Steven Montagna

DEFERRED COMPENSATION PLAN QUARTERLY REVIEW OF REVENUES & EXPENSES				
	Pending	Adopted	Adopted	Adopted
REVENUE & EXPENSE LINE ITEMS	Ending 12/30/2016	Ending 9/30/2016	Ending 6/30/2016	Ending 3/31/2016
STARTING BALANCE				
Payroll Fee Trust Fund Ending Balance	\$ 51,339	56,540	56,249	62,314
Administrative Fee Reserve Fund Balance	\$ 3,190,857	3,573,953	3,469,964	3,308,222
Total	\$ 3,242,196	3,630,494	3,526,213	3,370,535
REVENUES/FEES				
Interest Earnings on Payroll Fee Trust Fund	\$ 568	91	261	191
Payroll Fee Trust Fund Deposit: Travel	\$ -	0	0	0
Payroll Fee Trust Fund Deposit: Salary Reimbursements	\$ 298,901	610,948	0	(15,717)
Interest Earnings on Administrative Fee Reserve Fund	\$ 14,676	15,328	16,149	14,728
Revenue from Fees Deducted from Participant Accounts	\$ 666,080	654,937	651,085	642,818
CAP Adjustment Credits	\$			
Miscellaneous Credits	\$ 435	14	30	15,814
Total Revenue/Fees	\$ 980,661	1,281,318	667,525	657,834
TOTAL ASSETS (STARTING BALANCE + REVENUE/FEES)	\$ 4,222,857	4,911,812	4,193,739	4,028,370
EXPENDITURES				
Participant Administrative Fees Paid to TPA	\$ (394,969)	(391,910)	(389,285)	(386,503)
Prior Quarter Departmental Staffing Reimbursements	\$ (597,803)	(1,221,866)	0	0
Consulting Costs	\$ (30,485)	(14,247)	(140,460)	(1,170)
Plan Administrator Hardship Administration	\$ (18,750)	(16,500)	(14,500)	(15,750)
Plan Administrator Asset Allocation Fund Management	\$ (17,750)	(17,750)	(17,750)	(37,750)
Communications	\$ (4,717)	(786)	0	(53,463)
2130 Travel/Training/Education	\$ (7,618)	(5,307)	0	(2,007)
Travel/Training/Education	\$ (600)	0	0	0
Elections Administration	\$ -	0	0	0
Wells Fargo Custodial Fees	\$ (1,250)	(1,250)	(1,250)	(1,250)
6010 Office and Administrative	\$ -	0	0	(4,264)
4160 Governmental Meetings	\$ -	0	0	0
TOTAL EXPENDITURES	\$ (1,073,942)	(1,669,616)	(563,245)	(502,157)
Actual Payroll Fee Trust Fund Ending Balance	\$ 44,304	51,339	56,540	56,249
Actual Administrative Fee Reserve Fund Ending Balance	\$ 3,104,611	3,190,857	3,573,953	3,469,964
ACTUAL TOTAL ENDING BALANCE	\$ 3,148,915	3,242,196	3,630,494	3,526,213
ENCUMBRANCES/LIABILITIES				
Net From Prior Quarter	\$ (100,163.92)	(298,901)	(762,887)	(610,933)
FY 15-16 Personnel Adjustments (Corrected Special Rate)	n/a	14,405	n/a	n/a
FY 15-16 City Attorney Adjustments (Corrected Special Rate)	n/a	11,593	n/a	n/a
Quarterly Personnel Direct/Indirect Costs	\$ (107,463.53)	(107,499)	(118,946)	(122,049)
Quarterly City Attorney Direct/Indirect Costs	\$ (25,482.54)	(18,663)	(28,001)	(29,905)

Net Ending Balance Owed	\$ (233,110)	(399,065)	(909,834)	(762,887)
TOTAL ASSETS LESS LIABILITIES	2,915,805	2,843,131	2,720,660	2,763,326

Notes: All staffing reimbursement amounts pending as of 09/31/16 were processed in February 2017.