



## Board Report 24-23

Date: May 21, 2024

To: Board of Deferred Compensation Administration

From: Staff

Subject: Quarterly Staffing Reimbursements – First Quarter 2024

Board of Deferred Compensation Administration
Thomas Moutes <i>Chair</i>
Neil Guglielmo <i>Vice-Chair</i>
Jeremy Wolfson <i>First Provisional Chair</i>
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Dana H. Brown
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### **Recommendation:**

That the Board approve reimbursements from the Deferred Compensation Plan (DCP) Reserve Fund to the City Attorney in the amount of **\$25,792.96** for staff providing direct support of the DCP during the quarter ending March 31, 2024.

### **Discussion:**

#### **A. Quarterly Staffing Reimbursements – First Quarter 2024**

The proposed reimbursements identified in this report include the total staffing costs (direct and indirect – net method<sup>1</sup>) of City Attorney positions providing direct support for the DCP during the quarter beginning January 1, 2024 and ending March 31, 2024 as follows:

Summary of Staffing Cost Reimbursements for First Quarter 2024 (January 1, 2024 - March 31, 2024)	
City Attorney Direct Costs Net Method	\$ 13,797.51
City Attorney Indirect Costs Net Method @ 79.01%	\$ 10,901.41
<i>Adjustments (CAP 45 to 46) for Qtr Ending 9/30/23 and 12/31/23</i>	\$ 1,094.04
<b>Total Reimbursement to City Attorney</b>	<b>\$ 25,792.96</b>

<sup>1</sup> Staff uses two methods for reimbursement of staffing costs. The gross method is used for employees charging 100% of their time to the DCP. Funding for positions fully dedicated to the DCP was realigned from the General Fund to the DCP Trust Fund effective July 1, 2021 (Board Report [21-58](#)) and accordingly accounting and funding reconciliation for these positions is now administered internally between DCP staff and the Personnel Department's Accounting section (Board approval of reimbursements for these fully-dedicated positions is no longer required). The net method is used for employees who do not charge 100% of their time to the DCP, and is billed on a quarterly basis. The distinction between the two is that a Compensated Time Off (CTO) rate, which accounts for non-working hours such as sick and vacation time, is applied to the net method but not applied to the gross method (since compensated time such as vacation and sick time are already captured in gross salary). The gross method is used to reimburse the full-time Personnel Department staff fully dedicated and 100% supporting the DCP (one Defined Contribution Plan Manager; one Senior Management Analyst I; two Benefits Analysts; one Benefits Specialist). The net method is used to reimburse City Attorney staff who are partially dedicated to the DCP.

City Attorney staff support services are provided to the DCP by one Assistant City Attorney and one Paralegal II on an as-needed basis.

The calculation for salary reimbursements in this report for City Attorney staff partially dedicated to the DCP includes direct costs (actual salary costs for all positions presently supporting the DCP) and indirect costs as calculated according to the City Controller Special Rates for Indirect Cost Centers (Special Rates). These Special Rates are established on a fiscal year basis. Unique rates are identified by department categories. The most recently published rate is Special Rates 46 for Fiscal Year (FY) 2023-24, which identifies the staffing reimbursement percentage for the City Attorney is **79.01%** for net method reimbursement.

### B. Adjustment of Quarterly Staffing Reimbursements for Quarters Ending September and December 2023

The Board approved reimbursements from the DCP Reserve Fund to the Personnel Department and City Attorney for the third and fourth quarters of 2023 at its meetings on December 19, 2023 and March 5, 2024 respectively. These staffing costs reimbursements were based on Special Rates 45 for FY 2022-23 as the FY 2023-24 Special Rates were not available at the time the staffing costs reimbursements were calculated. The recently published Special Rates 46 for FY 2023-24 resulted in adjustments to the staffing costs reimbursement percentages as follows:

- City Attorney Net Method – 74.08% to 79.01%
- Personnel Department Gross Method – 78.02% to 82.42%

Accordingly, staff has recalculated the staffing costs reimbursements for these previous quarters in FY 2023-24 based on Special Rates 46. The change in the reimbursement percentages results in a difference in quarterly staffing costs reimbursements of \$1,094.04 owed to the City Attorney, as detailed in the chart below. The increase in indirect staffing costs has been applied to the total net method reimbursements owed to the City Attorney as indicated in Section A of this report.

Quarter Ending	Direct Costs	FY 22-23 Special Rates (45)		FY 23-24 Special Rates (46)		Adjustments
		(A) Total City Attorney Reimbursement Amount Calculated per Special Rates 45	Applied Special Rate	(B) Total City Attorney Reimbursement Amount Calculated per Special Rates 46	Applied Special Rate	Amount Owed to City Attorney (B) - (A)
12/31/23	\$ 8,928.50	\$6,614.23	74.08%	\$7,054.41	79.01%	\$440.18
9/30/23	\$ 13,262.98	\$9,825.22		\$10,479.08		\$653.86
<b>Total Adjustments Owed to Departments</b>						<b>\$1,094.04</b>

Calculation details of the First Quarter 2024 salary cost reimbursements including quarterly activity in the DCP’s revenue and expenditure accounts are provided in **Attachment A**.

### C. Reserve Fund Projection

Pursuant to Los Angeles Administrative Code Division 4, Chapter 14, all of the City’s internal administrative costs are required to be paid by participant fees. Two accounts are used to pay expenses: (1) an account held with the Third-Party Administrator (TPA Fund), which acts as a repository for participant fees and from which most DCP expenses are paid; and (2) an account held within the City (Fund 896), from which office and administrative expenses, travel, and equipment purchases are made. Together, these two accounts comprise the DCP Reserve Fund.

To maintain stability within the DCP Reserve Fund and participant fees, the Board has established a target Reserve Fund balance of 50% (or six months) of annual DCP operating expenses. Each quarter, staff submits its accounting and recommendations for reimbursing administrative costs and the long-term resource projection is updated using assumptions for key variables that have been considered by the Board. This information is generated for the Board to compare the long-term projected Reserve Fund balance to the target Reserve Fund balance.

The Board last reviewed and approved long-term assumptions for DCP revenues and expenditures at its September 19, 2023 meeting, following a fee review and recommendations submitted by the DCP Plan Governance and Administrative Issues Committee. The current key variables used in long-term projections are summarized below:

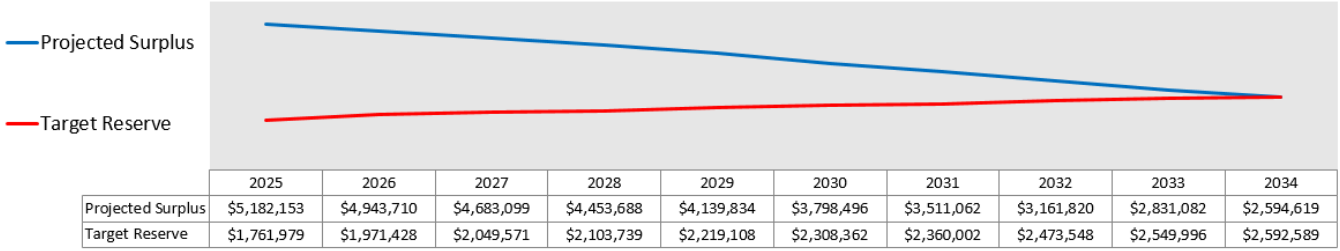
<i>Expenses Inflation Adjustment Factor</i>	<i>Enrollment Adjustment Factor</i>	<i>Asset Growth Adjustment Factor</i>	<i>Stable Value Funds Interest Assumption</i>	<i>Basis Points Charged Against Participant Accounts</i>	<i>Fee Cap</i>	<i>Personnel Avg. Special Rate</i>	<i>City Attorney Avg. Special Rate</i>
3.0%	3.0%	5.5%	2.0%	0.09%	\$115	85.0%	85.0%

With each quarterly review, staff provides an updated ten-year projection of the DCP Reserve Fund balance, applying the key variables above and assuming all positions are fully staffed and a 100% expenditure of the annual budget.

Following is the updated rolling ten-year forecast of the DCP Reserve Fund balance with data as of March 31, 2024. It should be noted the projected salary expenses of one additional Senior Benefits Analyst I and one additional Benefits Specialist are included beginning fourth quarter 2024. At its meeting on September 19, 2023, the Board approved for two position authorities to be submitted for consideration in the City’s 2024-25 proposed budget. These position authorities are included in the Mayor’s proposed budget, which is currently submitted for consideration to the City Council.

As indicated in the following chart, the Reserve Fund balance is projected to reach the target reserve fund balance at the end of the ten-year projection, with a projected surplus of approximately **\$2.59 million**, which equals the projected target reserve fund balance of **\$2.59 million in 2034**. The DCP Plan Governance and Administrative Issues Committee will meet for the annual resource review in Third Quarter 2024 to address resources toward maintaining the long term goal of the DCP Reserve.

**10-Year Projection: Projected Surplus vs. Target Reserve**



Submitted by:  
Reviewed by:

Mindy Lam, Benefits Analyst  
Esther Chang, Defined Contribution Plan Manager

DEFERRED COMPENSATION PLAN QUARTERLY REVIEW OF REVENUES & EXPENSES				
	Pending	Adopted	Adopted	Adopted
REVENUE & EXPENSE LINE ITEMS	Ending	Ending	Ending	Ending
	3/31/2024	12/31/2023	9/30/2023	6/30/2023
<b>STARTING BALANCE</b>				
City Fund 896 Starting Balance	\$ 284,759.13	\$ 274,071.42	\$ 274,038.02	\$ 108,374.43
TPA Fund Starting Balance	\$ 6,387,599.62	\$ 6,764,682.18	\$ 6,064,752.16	\$ 5,952,326.31
Total Starting Balance	\$ 6,672,358.75	\$ 7,038,753.60	\$ 6,338,790.18	\$ 6,060,700.74
<b>REVENUES</b>				
Interest Earnings on Fund 896	\$ 1,641.43	\$ 1,786.50	\$ 1,608.16	\$ 848.25
Miscellaneous Credits To Fund 896	\$ -	\$ 15.00	\$ 15.00	\$ -
Interest/Earnings on TPA Fund	\$ 49,464.99	\$ 46,491.74	\$ 47,824.13	\$ 44,995.57
Revenue from Fees Deducted from Participant Accounts	\$ 818,480.68	\$ 791,881.34	\$ 796,024.37	\$ 780,878.46
Miscellaneous Credits to TPA Fund	\$ -	\$ -	\$ -	\$ -
Total Revenue/Fees	\$ 869,587.10	\$ 840,174.58	\$ 845,471.66	\$ 826,722.28
<b>TOTAL ASSETS (STARTING BALANCE + REVENUE/FEES)</b>				
	\$ 7,541,945.85	\$ 7,878,928.18	\$ 7,184,261.84	\$ 6,887,423.02
<b>EXPENDITURES</b>				
2120 Printing and Binding (Communications)	\$ -	\$ -	\$ -	\$ -
2130 Travel/Training/Education <sup>1</sup>	\$ 1,515.00	\$ (10,348.87)	\$ (855.24)	\$ -
6010 Consulting Costs	\$ -	\$ -	\$ -	\$ -
6010 Office and Administrative: Reimb Staff Support	\$ (50,650.33)	\$ (74,086.98)	\$ -	\$ (713,419.43)
6010 Office and Administrative: Other	\$ (17,009.68)	\$ (8,327.45)	\$ (734.52)	\$ (1,313.90)
Contractual Fees Paid to TPA <sup>2</sup>	\$ (798,840.00)	\$ (1,187,833.75)	\$ (28.75)	\$ (28.75)
Consulting Costs	\$ (18,097.14)	\$ (3,118.65)	\$ (2,047.36)	\$ -
Communications	\$ -	\$ -	\$ -	\$ -
Training/Education/Travel Paid by TPA	\$ (6,480.00)	\$ (275.00)	\$ (7,175.00)	\$ -
Elections Administration	\$ -	\$ (24,228.24)	\$ (33,018.26)	\$ -
Office and Administrative Expenses	\$ -	\$ -	\$ -	\$ -
Reimb Voya for Staff Support (DCP Intern)	\$ -	\$ -	\$ -	\$ -
TOTAL EXPENDITURES	\$ (889,562.15)	\$ (1,308,218.94)	\$ (43,859.13)	\$ (714,762.08)
<sup>1</sup> Travel/Training/Education Expenditure reflects a positive amount in Quarter ending 3/31/2024 for refunds received.				
<sup>2</sup> Outstanding Fees owed to the TPA and Consultants are included below in Encumbrances/Liabilities.				
<b>INTER-FUND TRANSFERS</b>				
Transfer to Fund 896: Salary Reimbursements	\$ (38,630.93)	\$ -	\$ (101,649.11)	\$ (713,419.43)
Transfer to Fund 896: Other	\$ -	\$ -	\$ -	\$ -
Fund 896 Deposit: Salary Reimbursements	\$ 23,088.20	\$ 101,649.51	\$ -	\$ 713,419.43
Fund 896 Deposit: Other	\$ -	\$ -	\$ -	\$ -
Reversion to/from General Fund	\$ -	\$ -	\$ -	\$ 166,129.24
TOTAL INTER-FUND TRANSFERS <sup>3</sup>	\$ (15,542.73)	\$ 101,649.51	\$ (101,649.11)	\$ 166,129.24
<sup>3</sup> Total Inter-Fund Transfers: For quarter ending 3/31/2024, reflects funds in transit from the TPA Fund for deposit in City Fund 896 in Q1-2024.				
<b>TOTAL ENDING BALANCE (ASSETS + EXPENDITURES + INTER-FUND TRANSFERS)</b>	\$ 6,636,840.97	\$ 6,672,358.75	\$ 7,038,753.60	\$ 6,338,790.18
<b>REPORTED ENDING BALANCE</b>				
Actual City Fund 896 Ending Balance	\$ 243,343.75	\$ 284,759.13	\$ 274,071.42	\$ 274,038.02
Actual TPA Fund Ending Balance	\$ 6,393,497.22	\$ 6,387,599.62	\$ 6,764,682.18	\$ 6,064,752.16
ACTUAL TOTAL ENDING BALANCE	\$ 6,636,840.97	\$ 6,672,358.75	\$ 7,038,753.60	\$ 6,338,790.18
<b>ENCUMBRANCES/LIABILITIES</b>				
Outstanding Quarterly Reimbursements from Prior Quarter(s) & Encumbrances <sup>4</sup>	\$ (798,585.23)	\$ (683,648.20)	\$ (1,226,560.44)	\$ (791,212.50)
Outstanding Annual Reimbursements from Prior Quarter(s)	\$ (411,837.25)	\$ (236,091.90)	\$ (62,893.67)	\$ -
Personnel and City Attorney Direct/Indirect Costs (Net Method) Billed Quarterly	\$ (25,792.96)	\$ (15,542.73)	\$ (23,088.20)	\$ (38,755.44)
Personnel Department Direct/Indirect Costs (Gross Method) Billed FY End	\$ (264,723.64)	\$ (203,307.49)	\$ (208,529.76)	\$ (62,893.67)
TOTAL ENCUMBRANCES/LIABILITIES	\$ (1,500,939.08)	\$ (1,138,590.31)	\$ (1,521,072.07)	\$ (892,861.61)
<sup>4</sup> Outstanding Quarterly Reimbursements from Prior Quarter(s) & Encumbrances: For quarter ending 3/31/2024, includes Q4-2023 reimbursement to City Attorney, fees owed to TPA for Q1-2024 of \$403,042.50, and outstanding contract and equipment costs of \$380,000 (estimated).				
<b>TOTAL ENDING BALANCE LESS LIABILITIES</b>	\$ 5,135,901.89	\$ 5,533,768.44	\$ 5,517,681.53	\$ 5,445,928.57

Legend
City Fund 896
TPA Fund

Summary of Staffing Cost Reimbursements for Partially Dedicated Staff Billed Quarterly					
	Actual for FY 2023-24 Billed Quarterly				Actual for FY 2022-23 Billed Quarterly
	Total Net Method Reimbursements FYTD	Quarter Ending 3/31/24	Quarter Ending 12/31/23	Quarter Ending 9/30/23	Quarter Ending 6/30/23
City Attorney Direct Salary Costs Net Method	\$ 35,988.99	\$ 13,797.51	\$ 8,928.50	\$ 13,262.98	\$ 18,133.30
City Attorney Indirect Costs (Net Method)	\$ 27,340.86	\$ 10,901.41	\$ 6,614.23	\$ 9,825.22	\$ 13,433.15
Adjustments to Prior Quarter Reimbursements <sup>5</sup>	\$ 1,094.04	\$ 1,094.04	\$ -	\$ -	\$ (2,762.53)
<b>TOTAL REIMBURSEMENTS TO CITY ATTORNEY</b>	<b>\$ 64,423.89</b>	<b>\$ 25,792.96</b>	<b>\$ 15,542.73</b>	<b>\$ 23,088.20</b>	<b>\$ 28,803.92</b>
Personnel Department Direct Salary Costs Net Method	\$ -	\$ -	\$ -	\$ -	\$ 6,310.08
Personnel Department Indirect Costs (Net Method)	\$ -	\$ -	\$ -	\$ -	\$ 5,812.85
Adjustments to Prior Quarter Reimbursements <sup>5</sup>	\$ -	\$ -	\$ -	\$ -	\$ (2,171.41)
<b>TOTAL REIMBURSEMENTS TO PERSONNEL DEPARTMENT</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,951.52</b>

Summary of Estimated and Actual Staffing Cost Reimbursements for Full-Time Staff Billed Annually (at Fiscal Year End)					
	Estimated for FY 2023-24 Billed Quarter Ending 6/30/24				Actual for FY 2022-23 Billed Quarterly
	Total Estimated Gross Method Reimbursements FYTD	Quarter Ending 3/31/24	Quarter Ending 12/31/23	Quarter Ending 9/30/23	Quarter Ending 6/30/23
Personnel Department Direct Salary Costs Gross Method	\$ 365,494.08	\$ 134,150.83	\$ 114,204.86	\$ 117,138.39	\$ 114,284.01
Personnel Department Indirect Costs (Gross Method)	\$ 291,061.12	\$ 110,567.12	\$ 89,102.63	\$ 91,391.37	\$ 89,152.96
Personnel Dept Reimbursements Not Subject to CAP Rate	\$ 1,300.00	\$ 1,300.00	\$ -	\$ -	\$ -
Adjustments to Prior Quarter Reimbursements <sup>5</sup>	\$ 18,705.69	\$ 18,705.69			\$ 89,152.96
<b>TOTAL ESTIMATED/ACTUAL PERSONNEL DEPARTMENT REIMBURSEMENTS FOR FULLY DEDICATED STAFF</b>	<b>\$ 676,560.89</b>	<b>\$ 264,723.64</b>	<b>\$ 203,307.49</b>	<b>\$ 208,529.76</b>	<b>\$ 203,436.97</b>

<sup>5</sup> Adjustments to Prior Quarter Reimbursements: For Quarter Ending 3/31/24, includes Special Rate adjustments (from CAP 45 to CAP 46) for Quarters Ending 9/30/23 to 12/31/23; for Quarter Ending 6/30/23, includes Special Rate adjustments (from CAP 44 to CAP 45) for Quarters Ending 9/30/22 to 3/31/23.

\* For indirect costs, CAP 46 (Fiscal Year 2023-24) is utilized. City Attorney net method indirect costs are reimbursed at 79.01%. Personnel Department gross method indirect costs are to be reimbursed at 82.42%.

\* Partially Dedicated Staff - City Attorney  
 (1) Assistant City Attorney (25% of time)  
 (1) Paralegal II (40% of time)

\* Full-Time Staff, 100% Dedicated  
 (1) Defined Contribution Plan Manager  
 (1) Senior Management Analyst I  
 (2) Benefits Analyst  
 (1) Benefits Specialist

\* Two methods are used for reimbursement of staffing costs. The **gross method** is used for employees charging 100% of their time to the DCP, which costs are reimbursed to the Personnel Department at fiscal year end. Funding for positions fully dedicated to the DCP was realigned from the General Fund to the DCP Trust Fund effective July 1, 2021 (Board Report 21-58) and accordingly accounting and funding reconciliation for these positions is now administered internally between DCP staff and the Personnel Department's Accounting section (Board approval of reimbursements for these fully-dedicated positions is no longer required). The **net method** is used for employees who do not charge 100% of their time to the DCP, which costs are reimbursed on a quarterly basis. The distinction between the two is that a Compensated Time Off (CTO) rate, which accounts for non-working hours such as sick and vacation time, is applied to the net method but not applied to the gross method (since compensated time such as vacation and sick time are already captured in gross salary).