



CITY OF *Los Angeles*
DEFERRED COMPENSATION PLAN

Board Report 21-10

Date: February 16, 2021
 To: Board of Deferred Compensation Administration
 From: Staff
 Subject: Quarterly Staffing Reimbursements – Fourth Quarter 2020

| Board of Deferred Compensation Administration |
|---|
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Recommendation:

That the Board of Deferred Compensation Administration (Board) approve reimbursements from the Deferred Compensation Plan (DCP) Reserve Fund to the Personnel Department in the amount of **\$158,031.44** and to the City Attorney in the amount of **\$42,060.87** totaling **\$200,092.31**, inclusive of the fourth quarter of calendar year 2020 ending December 31, 2020, for staff providing direct support of the DCP.

Discussion:

A. Quarterly Staffing Cost Reimbursements – Fourth Quarter 2020

The proposed reimbursements identified in this report include the total staffing costs (direct and indirect) of Personnel Department and City Attorney positions providing direct support of the DCP during the fourth quarter of 2020 beginning October 1, 2020 and ending December 31, 2020 as follows:

| Summary of Staffing Cost Reimbursements for Fourth Quarter 2020 (October 1, 2020 to December 31, 2020) | |
|---|----------------------|
| Personnel Department Direct Costs | \$ 87,562.81 |
| Personnel Department Indirect Costs Gross Method @ 72.57% | \$ 39,770.97 |
| Personnel Department Indirect Costs Indirect Costs Net Method @ 93.71% | \$ 30,697.66 |
| Total Reimbursement to Personnel Department | \$ 158,031.44 |
| City Attorney Direct Costs | \$ 23,116.82 |
| City Attorney Indirect Costs Net Method @ 81.99% | \$ 18,953.48 |
| <i>Adjustment for 3rd Quarter 2020 Staffing Reimbursements</i> | <i>\$ (9.43)</i> |
| Total Reimbursement to City Attorney | \$ 42,060.87 |
| TOTAL PERSONNEL DEPARTMENT/CITY ATTORNEY STAFFING COST REIMBURSEMENTS | \$ 200,092.31 |

Calculation details of the fourth quarter 2020 salary cost reimbursements including quarterly activity in the DCP’s revenue/expenditure accounts are provided in **Attachment A**.

B. Adjustment of Quarterly Staffing Cost Reimbursements – Third Quarter 2020

At its meeting on December 15, 2020, the Board approved a staffing cost reimbursement from the DCP Reserve Fund to the City Attorney in the amount of **\$45,821.39** for City Attorney staff providing direct support of the DCP for the third quarter 2020. Due to a typographic error, the total reimbursement amount for the City Attorney was reported erroneously. The correct reimbursement amount for the City Attorney for the third quarter 2020 is **\$45,811.96**, the sum of the City Attorney direct costs of **\$25,172.79** and indirect costs of **\$20,639.17**. The difference in staffing cost reimbursement for the City Attorney is **(\$9.43)** as detailed in the chart below. The difference has been applied as a credit to the City Attorney’s fourth quarter 2020 staffing cost reimbursement.

| | As Reported on Board Report 20-48 | Correction | Adjustment |
|--|-----------------------------------|--------------------|------------------|
| City Attorney Direct Costs | \$ 25,172.79 | \$ 25,172.79 | - |
| City Attorney Indirect Costs Net Method @ 81.99% | \$ 20,639.17 | \$ 20,639.17 | - |
| Total Reimbursement to City Attorney | \$ 45,821.39 | \$45,811.96 | \$ (9.43) |

C. Reserve Fund Projection

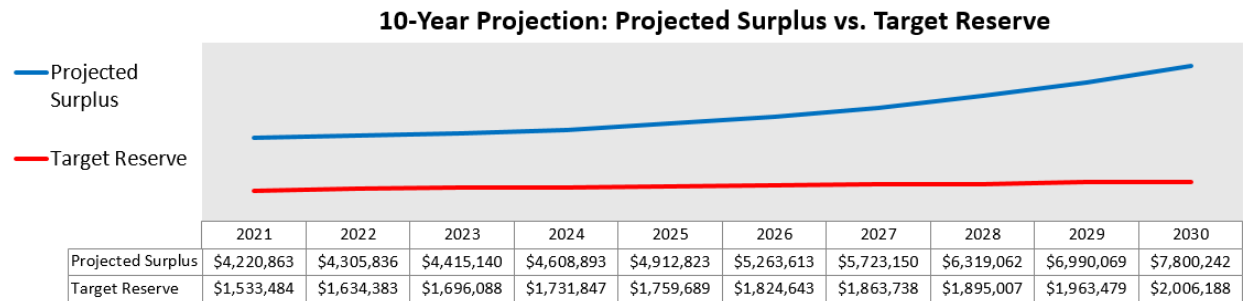
Pursuant to Los Angeles Administrative Code Division 4, Chapter 14, all of the City’s internal administrative costs are required to be paid by participant fees. Two accounts are used to pay expenses: (1) an account held with the Third-Party Administrator (TPA), which acts as a repository for participant 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 amount of 50% of annual DCP 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 for the Board to compare the long-term projected reserve to the target reserve.

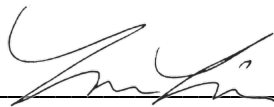
The Board last reviewed and approved long-term assumptions for DCP revenues and expenditures at its December 15, 2020 meeting, following a fee review and recommendations submitted by the DCP Plan Governance & Administrative Issues Committee. The current key variables used in long-term projections are summarized below:

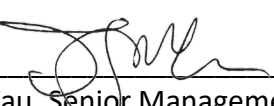
| <i>Expenses Inflation Adjustment Factor</i> | <i>Enrollment Adjustment Factor</i> | <i>Asset Growth Adjustment Factor</i> | <i>Stable Value Funds Interest Assumption</i> | <i>Basis Points Charged Against Participant Accounts</i> | <i>Fee Cap</i> | <i>Personnel Avg. Special Rate</i> | <i>City Attorney Avg. Special Rate</i> |
|---|-------------------------------------|---------------------------------------|---|--|----------------|------------------------------------|--|
| 2.0% | 3.0% | 7% | 2.0% | 0.09% | \$115 | 115.0% | 115.0% |

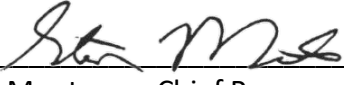
With each quarterly review, staff provides a ten-year projection of the DCP Reserve Fund balance. Following is the rolling-ten year forecast of the DCP Reserve Fund balance updated with data as of December 31, 2020.



As indicated in the chart above, the reserve fund balance is projected to be above the target reserve over the entire ten-year period. The lowest projected surplus amount above the target reserve is approximately **\$4.2 million** in 2021, increasing to approximately **\$7.8 million** in 2030. The lowest projected difference between the projected surplus and the target reserve is approximately **\$2.7 million** in 2022, increasing to approximately **\$5.8 million** in 2030.

Submitted by: 
Mindy Lam, Personnel Analyst

Reviewed by: 
Jenny M. Yau, Senior Management Analyst II

Approved by: 
Steven Montagna, Chief Personnel Analyst

| DEFERRED COMPENSATION PLAN QUARTERLY REVIEW OF REVENUES & EXPENSES | | | | |
|--|-----------------|-----------------|-------------------|-----------------|
| | Pending | Adopted | Adopted | Adopted |
| REVENUE & EXPENSE LINE ITEMS | Ending | Ending | Ending | Ending |
| | 12/31/2020 | 9/30/2020 | 6/30/2020 | 3/31/2020 |
| STARTING BALANCE | | | | |
| City Fund 896 Starting Balance | \$ 103,741.97 | \$ 103,404.62 | \$ 108,236.86 | \$ 114,548.51 |
| TPA Fund Starting Balance | \$ 4,044,698.93 | \$ 3,898,982.83 | \$ 4,095,338.70 | \$ 3,965,355.25 |
| Total | \$ 4,148,440.90 | \$ 4,002,387.45 | \$ 4,203,575.56 | \$ 4,079,903.76 |
| REVENUES | | | | |
| Interest Earnings on Fund 896 | \$ 458.73 | \$ 337.35 | \$ 1,078.99 | \$ 680.85 |
| Fund 896 Deposit: Salary Reimbursements | \$ - | \$ 202,931.84 | \$ 582,477.62 | \$ - |
| Fund 896 Deposit: Other | \$ - | \$ - | \$ - | \$ - |
| Miscellaneous Credits To Fund 896 | \$ - | \$ - | \$ - | \$ - |
| Interest Earnings on TPA Fund | \$ 24,469.35 | \$ 41,425.61 | \$ 24,856.30 | \$ 26,288.94 |
| Revenue from Fees Deducted from Participant Accounts | \$ 724,334.86 | \$ 707,892.88 | \$ 674,583.83 | \$ 710,288.80 |
| Miscellaneous Credits to TPA Fund | \$ - | \$ 23,924.92 | \$ - | \$ 7,099.01 |
| Total Revenue/Fees | \$ 749,262.94 | \$ 976,512.60 | \$ 1,282,996.74 | \$ 744,357.60 |
| TOTAL ASSETS (STARTING BALANCE + REVENUE/FEEES) | \$ 4,897,703.84 | \$ 4,978,900.05 | \$ 5,486,572.30 | \$ 4,824,261.36 |
| EXPENDITURES | | | | |
| 2130 Travel/Training/Education | \$ - | \$ - | \$ - | \$ - |
| 6010 Consulting Costs | \$ - | \$ - | \$ - | \$ (5,992.50) |
| 6010 Office and Administrative: Reimb Staff Support | \$ - | \$ (202,931.84) | \$ (582,477.62) | \$ - |
| 6010 Office and Administrative: Other | \$ - | \$ - | \$ (5,911.23) | \$ (1,000.00) |
| Contractual Fees Paid to TPA | \$ (409,564.75) | \$ (408,948.75) | \$ (405,956.75) | \$ (400,900.75) |
| Transfer to Fund 896: Salary Reimbursements | \$ - | \$ (202,931.84) | \$ (397,481.17) | \$ (184,996.45) |
| Transfer to Fund 896: Other | \$ - | \$ - | \$ - | \$ - |
| Consulting Costs | \$ - | \$ (14,390.72) | \$ (44,156.57) | \$ (27,796.10) |
| Communications | \$ - | \$ (256.00) | \$ - | \$ - |
| Training/Education/Travel Paid by TPA | \$ (700.00) | \$ (1,000.00) | \$ - | \$ - |
| Elections Administration | \$ - | \$ - | \$ (48,201.51) | \$ - |
| TOTAL EXPENDITURES | \$ (410,264.75) | \$ (830,459.15) | \$ (1,484,184.85) | \$ (620,685.80) |
| Actual City Fund 896 Ending Balance | \$ 104,200.70 | \$ 103,741.97 | \$ 103,404.62 | \$ 108,236.86 |
| Actual TPA Fund Ending Balance | \$ 4,383,238.39 | \$ 4,044,698.93 | \$ 3,898,982.83 | \$ 4,095,338.70 |
| ACTUAL TOTAL ENDING BALANCE | \$ 4,487,439.09 | \$ 4,148,440.90 | \$ 4,002,387.45 | \$ 4,203,575.56 |
| ENCUMBRANCES/LIABILITIES | | | | |
| Outstanding Reimbursements from Prior Quarter(s) | \$ (211,611.29) | \$ - | \$ - | \$ (184,996.45) |
| Quarterly Personnel Department Direct/Indirect Costs | \$ (158,031.44) | \$ (165,789.90) | \$ (169,306.26) | \$ (320,911.15) |
| Quarterly City Attorney Direct/Indirect Costs | \$ (42,060.87) | \$ (45,821.39) | \$ (33,625.58) | \$ (76,570.02) |
| Net Ending Balance Owed | \$ (411,703.60) | \$ (211,611.29) | \$ (202,931.84) | \$ (582,477.62) |
| Funds in Transit from TPA Fund to City Fund 896 | \$ - | \$ - | \$ - | \$ 184,996.45 |
| TOTAL ENDING BALANCE LESS LIABILITIES | \$ 4,075,735.49 | \$ 3,936,829.61 | \$ 3,799,455.61 | \$ 3,806,094.38 |

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| Adjustments for 3rd Quarter 2020 Staffing Reimbursements | \$ (9.43) |
| Total Reimbursement to City Attorney | \$ 42,060.87 |

| Legend |
|------------------|
| City Fund 896 |
| TPA Reserve Fund |