



Board Report 24-10

Date: March 5, 2024

To: Board of Deferred Compensation Administration

From: Staff

Subject: Quarterly Staffing Reimbursements – Fourth Quarter 2023

Board of Deferred Compensation Administration
Thomas Moutes <i>Chair</i>
Neil Guglielmo <i>Vice-Chair</i>
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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 **\$15,542.73** for staff providing direct support of the DCP during the quarter ending December 31, 2023.

Discussion:

A. Quarterly Staffing Reimbursements – Fourth Quarter 2023

The proposed reimbursements identified in this report include the total staffing costs (direct and indirect – net method¹) of City Attorney positions providing direct support for the DCP during the quarter beginning October 1, 2023 and ending December 31, 2023 as follows:

Summary of Staffing Cost Reimbursements for Fourth Quarter 2023 (October 1, 2023 - December 31, 2023)	
City Attorney Direct Costs Net Method	\$ 8,928.50
City Attorney Indirect Costs Net Method @ 74.08%	\$ 6,614.23
Total Reimbursement to City Attorney	\$ 15,542.73

¹ 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; 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 Deputy City Attorney and one Paralegal 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 45 for Fiscal Year (FY) 2022-23, which identifies the staffing reimbursement percentage for the City Attorney is **74.08%** for net method reimbursement.

Calculation details of the Fourth Quarter 2023 salary cost reimbursements including quarterly activity in the DCP’s revenue and expenditure accounts are provided in **Attachment A**.

B. 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:

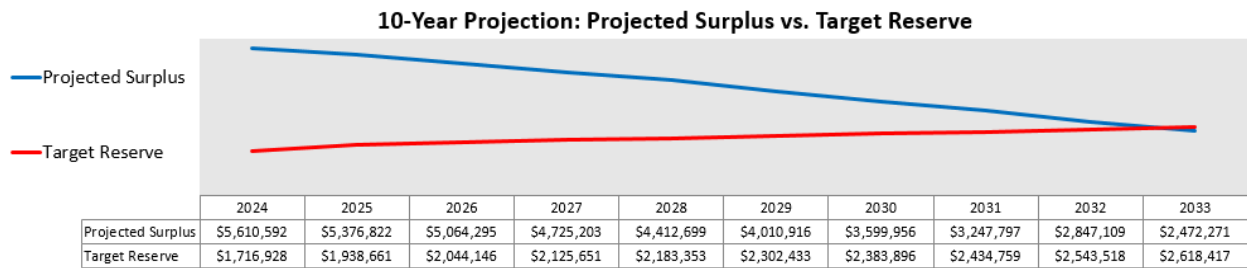
<i>Expenses Inflation Adjustment Factor</i>	<i>Enrollment Adjustment Factor</i>	<i>Asset Growth Adjustment Factor</i>	<i>Stable Value Funds Interest Assumption</i>	<i>Basis Points Charged Against Participant Accounts</i>	<i>Fee Cap</i>	<i>Personnel Avg. Special Rate</i>	<i>City Attorney Avg. Special 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 December 31, 2023. 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 regular

position authorities² to be submitted for consideration in the City’s 2024-25 proposed budget. Should the position authorities be approved and included in the City’s budget, the Board has requested the hiring of additional staff for these positions to occur subsequent to further review of the long-term financial impact to the DCP 10-year Reserve Fund projection.

As indicated in the following chart, the Reserve Fund balance is projected to reach the target reserve fund at the 9-10 year mark, with a projected surplus of approximately **\$2.85 million** compared to the projected target of **\$2.54 million in 2032**, and falling to **\$2.47 million** in 2033 with a target of **\$2.62 million**.



Submitted by: Mindy Lam, Benefits Analyst

Reviewed by: Esther Chang, Defined Contribution Plan Manager

² **Regular Position Authority** is defined as a position funded in the budget and approved for filling by ordinance. The need for this position is permanent. ([City of LA 2023-24 Adopted Budget](#), Page 456).

DEFERRED COMPENSATION PLAN QUARTERLY REVIEW OF REVENUES & EXPENSES				
	Pending	Adopted	Adopted	Adopted
REVENUE & EXPENSE LINE ITEMS	Ending	Ending	Ending	Ending
	12/31/2023	9/30/2023	6/30/2023	3/31/2023
STARTING BALANCE				
City Fund 896 Starting Balance	\$ 274,071.42	\$ 274,038.02	\$ 108,374.43	\$ 108,538.33
TPA Fund Starting Balance	\$ 6,764,682.18	\$ 6,064,752.16	\$ 5,952,326.31	\$ 5,149,219.94
Total Starting Balance	\$ 7,038,753.60	\$ 6,338,790.18	\$ 6,060,700.74	\$ 5,257,758.27
REVENUES				
Interest Earnings on Fund 896	\$ 1,786.50	\$ 1,608.16	\$ 848.25	\$ 378.68
Miscellaneous Credits To Fund 896	\$ 15.00	\$ 15.00	\$ -	\$ 15.00
Interest/Earnings on TPA Fund	\$ 46,491.74	\$ 47,824.13	\$ 44,995.57	\$ 35,763.43
Revenue from Fees Deducted from Participant Accounts	\$ 791,881.34	\$ 796,024.37	\$ 780,878.46	\$ 766,718.27
Miscellaneous Credits to TPA Fund	\$ -	\$ -	\$ -	\$ 7,132.33
Total Revenue/Fees	\$ 840,174.58	\$ 845,471.66	\$ 826,722.28	\$ 810,007.71
TOTAL ASSETS (STARTING BALANCE + REVENUE/FEES)	\$ 7,878,928.18	\$ 7,184,261.84	\$ 6,887,423.02	\$ 6,067,765.98
EXPENDITURES				
2120 Printing and Binding (Communications)	\$ -	\$ -	\$ -	\$ (1,357.58)
2130 Travel/Training/Education ¹	\$ (10,348.87)	\$ (855.24)	\$ -	\$ 1,800.00
6010 Consulting Costs	\$ -	\$ -	\$ -	\$ -
6010 Office and Administrative: Reimb Staff Support	\$ (74,086.98)	\$ -	\$ (713,419.43)	\$ (72,917.80)
6010 Office and Administrative: Other	\$ (8,327.45)	\$ (734.52)	\$ (1,313.90)	\$ (1,000.00)
Contractual Fees Paid to TPA ²	\$ (1,187,833.75)	\$ (28.75)	\$ (28.75)	\$ (28.75)
Consulting Costs	\$ (3,118.65)	\$ (2,047.36)	\$ -	\$ (1,308.11)
Communications	\$ -	\$ -	\$ -	\$ -
Training/Education/Travel Paid by TPA	\$ (275.00)	\$ (7,175.00)	\$ -	\$ -
Elections Administration	\$ (24,228.24)	\$ (33,018.26)	\$ -	\$ -
Office and Administrative Expenses	\$ -	\$ -	\$ -	\$ -
Reimb Voya for Staff Support (DCP Intern)	\$ -	\$ -	\$ -	\$ (5,170.80)
TOTAL EXPENDITURES	\$ (1,308,218.94)	\$ (43,859.13)	\$ (714,762.08)	\$ (79,983.04)
¹ Travel/Training/Education Expenditure reflects a positive amount in Q1-2023 for refunds received.				
² Fees owed to the TPA are included below in Encumbrances/Liabilities.				
INTER-FUND TRANSFERS				
Transfer to Fund 896: Salary Reimbursements	\$ -	\$ (101,649.11)	\$ (713,419.43)	\$ -
Transfer to Fund 896: Other	\$ -	\$ -	\$ -	\$ -
Fund 896 Deposit: Salary Reimbursements	\$ 101,649.51	\$ -	\$ 713,419.43	\$ 72,917.80
Fund 896 Deposit: Other	\$ -	\$ -	\$ -	\$ -
Reversion to/from General Fund	\$ -	\$ -	\$ 166,129.24	\$ -
TOTAL INTER-FUND TRANSFERS	\$ 101,649.51	\$ (101,649.11)	\$ 166,129.24	\$ 72,917.80
TOTAL ENDING BALANCE (ASSETS + EXPENDITURES + INTER-FUND TRANSFERS)	\$ 6,672,358.75	\$ 7,038,753.60	\$ 6,338,790.18	\$ 6,060,700.74
REPORTED ENDING BALANCE				
Actual City Fund 896 Ending Balance	\$ 284,759.13	\$ 274,071.42	\$ 274,038.02	\$ 108,374.43
Actual TPA Fund Ending Balance	\$ 6,387,599.62	\$ 6,764,682.18	\$ 6,064,752.16	\$ 5,952,326.31
ACTUAL TOTAL ENDING BALANCE	\$ 6,672,358.75	\$ 7,038,753.60	\$ 6,338,790.18	\$ 6,060,700.74
ENCUMBRANCES/LIABILITIES				
Outstanding Quarterly Reimbursements from Prior Quarter(s) & Encumbrances ³	\$ (683,648.20)	\$ (1,226,560.44)	\$ (791,212.50)	\$ (442,316.87)
Outstanding Annual Reimbursements from Prior Quarter(s) ⁴	\$ (236,091.90)	\$ (62,893.67)	\$ -	\$ (318,406.58)
Personnel and City Attorney Direct/Indirect Costs (Net Method) Billed Quarterly	\$ (15,542.73)	\$ (23,088.20)	\$ (38,755.44)	\$ (35,370.39)
Personnel Department Direct/Indirect Costs (Gross Method) Billed FY End	\$ (203,307.49)	\$ (208,529.76)	\$ (62,893.67)	\$ (206,594.30)
TOTAL ENCUMBRANCES/LIABILITIES	\$ (1,138,590.31)	\$ (1,521,072.07)	\$ (892,861.61)	\$ (1,002,688.14)
³ Outstanding Quarterly Reimbursements from Prior Quarter(s) & Encumbrances: For quarter ending 12/31/2023, includes fees to TPA for Q4-2023 of \$400,560 and outstanding contract and equipment costs of \$260,000 (estimated).				
⁴ Outstanding Annual Reimbursements from Prior Quarter(s): For quarter ending 12/31/2023, includes \$27,562.13 for indirect costs of full-time staff reimbursements for period June 4, 2023 to June 30, 2023.				
TOTAL ENDING BALANCE LESS LIABILITIES	\$ 5,533,768.44	\$ 5,517,681.53	\$ 5,445,928.57	\$ 5,058,012.60

Legend

City Fund 896

TPA Fund

**Summary of Staffing Cost Reimbursements for Partially Dedicated Staff
Billed Quarterly**

	Total Net Reimbursements Rolling Four Quarters	<i>Quarter Ending 12/31/23</i>	<i>Quarter Ending 9/30/23</i>	<i>Quarter Ending 6/30/23</i>	<i>Quarter Ending 3/31/23</i>
City Attorney Direct Salary Costs Net Method	\$ 54,406.65	\$ 8,928.50	\$ 13,262.98	\$ 18,133.30	\$ 14,081.87
City Attorney Indirect Costs (Net Method)	\$ 41,315.53	\$ 6,614.23	\$ 9,825.22	\$ 13,433.15	\$ 11,442.93
<i>Adjustments for Qtr Ending 9/30/22, 12/31/22, to 3/31/23</i>	\$ (2,762.53)	\$ -	\$ -	\$ (2,762.53)	\$ -
TOTAL REIMBURSEMENTS TO CITY ATTORNEY	\$ 92,959.65	\$ 15,542.73	\$23,088.20	\$28,803.92	\$25,524.80
Personnel Department Direct Salary Costs Net Method	\$ 11,305.56	\$ -	\$ -	\$ 6,310.08	\$ 4,995.48
Personnel Department Indirect Costs (Net Method)	\$ 10,662.96	\$ -	\$ -	\$ 5,812.85	\$ 4,850.11
<i>Adjustments for Qtr Ending 9/30/22, 12/31/22, to 3/31/23</i>	\$ (2,171.41)	\$ -	\$ -	\$ (2,171.41)	\$ -
TOTAL REIMBURSEMENTS TO PERSONNEL DEPARTMENT	\$ 19,797.11	\$ -	\$0.00	\$9,951.52	\$9,845.59

**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			<i>Actual for FY 2022-23 Billed Quarter Ending 6/30/23</i>	
	Total Estimated Gross Reimbursements FYTD	<i>Quarter Ending 12/31/23</i>	<i>Quarter Ending 9/30/23</i>	<i>Quarter Ending 6/30/23</i>	<i>Quarter Ending 3/31/23</i>
Personnel Department Direct Salary Costs Gross Method	\$ 231,343.25	\$ 114,204.86	\$ 117,138.39	\$ 114,284.01	\$ 113,039.49
Personnel Department Indirect Costs (Gross Method)	\$ 180,494.00	\$ 89,102.63	\$ 91,391.37	\$ 89,152.96	\$ 88,182.11
<i>Personnel Dept Reimbursements Not Subject to CAP Rate</i>	\$ -	\$ -	\$ -	\$ -	\$ 1,620.46
TOTAL ESTIMATED/ACTUAL PERSONNEL DEPARTMENT REIMBURSEMENTS FOR FULLY DEDICATED STAFF	\$ 411,837.25	\$ 203,307.49	\$208,529.76	\$ 203,436.97	\$ 202,842.06

* For indirect costs, CAP 45 (Fiscal Year 2022-23) is utilized. City Attorney indirect costs are reimbursed at 74.08% and Personnel Department indirect costs are reimbursed at 78.02%.

* *Partially Dedicated Staff - City Attorney*
 (1) Deputy City Attorney IV (25% of time).
 (1) Legal Assistant (40% of time).

* *Full-Time Staff, 100% Dedicated*
 (1) Defined Contribution Plan Manager
 (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).