



**Alameda County Employees' Retirement Association  
BOARD OF RETIREMENT**

***BUDGET COMMITTEE/BOARD MEETING  
NOTICE and AGENDA***

**ACERA MISSION:**

**To provide ACERA members and employers with flexible, cost-effective, participant-oriented benefits through prudent investment management and superior member services.**

**Thursday, August 15, 2019  
11:30 p.m.**

<b>LOCATION</b>	<b>COMMITTEE MEMBERS</b>	
<b>ACERA C.G. "BUD" QUIST BOARD ROOM 475 14<sup>TH</sup> STREET, 10<sup>TH</sup> FLOOR OAKLAND, CALIFORNIA 94612-1900 MAIN LINE: 510.628.3000 FAX: 510.268.9574</b>	<b>OPHELIA BASGAL, CHAIR</b>	<b>APPOINTED</b>
	<b>HENRY LEVY</b>	<b>TREASURER</b>
	<b>DALE AMARAL</b>	<b>ELECTED SAFETY</b>
	<b>JAIME GODFREY</b>	<b>APPOINTED</b>
	<b>LIZ KOPPENHAVER</b>	<b>ELECTED RETIRED</b>

Should a quorum of the Board attend this meeting, this meeting shall be deemed a joint meeting of the Board and Committee.

The order of agenda items is subject to change without notice. Board and committee agendas and minutes are available online at [www.acera.org](http://www.acera.org).

*Note regarding public comments:* Public comments are limited to four (4) minutes per person in total.

*Note regarding accommodations:* The Retirement Board will provide reasonable accommodations for persons with special needs of accessibility who plan to attend Board meetings. Please contact ACERA at (510) 628-3000 to arrange for accommodation.

# ***BUDGET COMMITTEE/BOARD MEETING***

NOTICE and AGENDA, Page 2 of 2 – Thursday, August 16, 2018

**Call to Order:** 11:30 p.m.

**Public Input (Time Limit: 4 minutes per speaker)**

**Action Items: Matters for Discussion and Possible Motion by the Committee**

1. None

**Information Items: These items are not presented for Committee action but consist of status updates and cyclical reports**

1. Mid-Year review of 2019 ACERA Operating Expense Budget

- Margo Allen
- Dave Nelsen

**Trustee Remarks**

**Future Discussion Items**

- Review Proposed 2020 Operating Expense Budget

**Establishment of Next Meeting Date**

November 21, 2019 at 11:30 pm

**Adjournment**



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MEMORANDUM TO THE BUDGET COMMITTEE

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DATE: August 15, 2019

TO: Members of the Budget Committee

FROM: Margo Allen, Fiscal Services Officer 

SUBJECT: 2019 Mid-year Budget Review

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**Executive Summary**

Staff has finalized the 2019 mid-year budget review. As part of the review process, the committee is provided with two reports; that is, the year-to-date operating expense variance analysis (as of June 30, 2019) and the end-of-year operating expense forecast (as of December 31, 2019). Highlights of each follow below to facilitate discussion and expedite review. In reviewing the year-to-date variance analysis, two budget line items were identified with overages exceeding \$15K<sup>1</sup>. Of the two line-item overages, all but one (i.e., temporary staffing costs, which offsets vacancies) could be adjusted from forecasted surpluses to correct the current overage. In some years, staff has adjusted mid-year overages using budget surpluses from other expense line items. However, at this point in time, staff does not see an immediate need to make any 2019 operating expenses overage adjustments.

**Year-to-Date Review (as of June 30, 2019)**

The variance analysis conducted for the six-month period ending June 30, 2019, reflects that ACERA's operating expenses are \$628K under budget, this compared to \$340K reported during the 2018 mid-year review. The year-over-year surplus increase is mostly due to timing differences within the various expense categories. When compared to the 2019 end-of-year forecast, the budget surplus is heavily weighted in Staffing totaling (\$655K), followed by Board of Retirement (Board Conferences and Misc. Activities) totaling (\$73K).

Excluding Temporary Staffing, only one line item exceeds the \$15K overage threshold, that is a \$58K overage in legal fees resulting from unanticipated outside legal counsel expenses. All other expenses for the period are under the threshold. With regard to the temporary staffing costs, as of June 30, 2019, these expenses are \$242K over budget compared to \$283K reported during the 2018 mid-year review. Without exception, this overage is attributable to the cost of temporary staff to cover project positions and unfilled/vacant positions throughout the organization.

**End-of-Year Review (June 30 – December 31, 2019)**

The forecast for the remainder of the budget year ending December 31, 2019, indicates that ACERA's operating expenses will be approximately \$751K *under* budget (including depreciation). With the exception of Temporary Staffing--\$328K, Legal Fees--\$62K, and

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<sup>1</sup> The \$15,000 threshold has been used in previous years to establish consideration for reportable overages and line item transfers.

Equipment Lease Maintenance \$33K overages, all other operating expenses for the 2019 budget year are forecasted to be well within the \$15K budget overage threshold.

*Temporary Staffing:* With regard to the end-of-year \$328K Temporary Staffing overage, this is partly the result of delayed hiring of permanent staff pending the outcome of an extensive reclassification effort for the retirement specialist series, partly the result of hiring additional temporary staff for project-based work in the Benefits department, but also hiring of temporary staff to fill staffing vacancies during recruitments for other organizational vacancies.

*Legal Fee:* With regard to the end-of-year \$62K Legal Fee overage, this is mostly the result of unanticipated legal expenses for outside legal counsel to provide services related to personnel matters.

*Equipment Lease and Maintenance:* With regard to the end-of-year \$33K Equipment Lease and Maintenance overage, this is the result of an unanticipated and unbudgeted change in the vendor for the printers and copiers, which incurred several months of double billing. Staff is currently working to reduce the overage due to double billing.

### **Conclusion**

At this point in time, staff is not recommending any budget line item overage adjustments. The 2019 total operating expense budget (including depreciation) is projected to be \$751K under budget. The 2019 total portfolio management investment expense is projected to be \$7.4M under budget. The total operating and portfolio management expense budget is projected to be approximately \$8.2M under budget.

Attachment 1-- Year-to-Date Review as of June 30, 2019 (Variance Analysis)

Attachment 2 – End-of-Year Review as of December 31, 2019 (Forecast)

## 2019 Year-to-Date as of June 30, Forecast (Variance Analysis)

<b>Operating Expense Budget</b>	<b>2019 Year-to- Date Actual</b>	<b>2019 Year-to- Date Budget</b>	<b>2019 Actual vs. 2019 Budget Over/(Under)</b>
<b>STAFFING</b>			
Salaries	\$ 4,329,000	\$ 4,621,000	\$ (292,000)
Fringe Benefits	2,530,000	2,701,000	(171,000)
Temporary Staffing/Miscellaneous Staffing	286,000	44,000	242,000
<b>Staffing Total</b>	<b>7,145,000</b>	<b>7,366,000</b>	<b>(221,000)</b>
<b>STAFF DEVELOPMENT</b>	<b>151,000</b>	<b>261,000</b>	<b>(110,000)</b>
<b>PROFESSIONAL FEES</b>			
Actuarial Fees	180,000	208,000	(28,000)
Audit Fees	149,000	149,000	-
Consultant Fees	179,000	229,000	(50,000)
Legal Fees	169,000	111,000	58,000
<b>Professional Fees Total</b>	<b>677,000</b>	<b>697,000</b>	<b>(20,000)</b>
<b>OFFICE EXPENSE</b>			
Bank Fees & Misc. Admin.	84,000	98,000	(14,000)
Building Expenses	21,000	34,000	(13,000)
Communications	48,000	54,000	(6,000)
Equipment Lease & Maint.	50,000	37,000	13,000
Minor Furniture & Equip.	2,000	9,000	(7,000)
Office Supplies & Maint.	36,000	48,000	(12,000)
Printing & Postage	11,000	14,000	(3,000)
<b>Office Expense Total</b>	<b>252,000</b>	<b>294,000</b>	<b>(42,000)</b>
<b>INSURANCE</b>	<b>642,000</b>	<b>642,000</b>	<b>-</b>
<b>MEMBER SERVICES</b>			
Disability - Legal Arbitration & Transcripts	19,000	38,000	(19,000)
Disability - Medical Expense	62,000	101,000	(39,000)
Disability Claims Management	23,000	23,000	-
Health Reimbursement Account (HRA)	30,000	30,000	-
Member Training & Education	7,000	4,000	3,000
Printing & Postage - Members	22,000	38,000	(16,000)
<b>Member Services Total</b>	<b>163,000</b>	<b>234,000</b>	<b>(71,000)</b>
<b>SYSTEMS</b>			
Business Continuity Expenses	59,000	89,000	(30,000)
Computer Maintenance	8,000	10,000	(2,000)
County Data Processing	57,000	53,000	4,000
Minor Computer Hardware	5,000	15,000	(10,000)
Software Maintenance & Support	371,000	398,000	(27,000)
<b>Systems Total</b>	<b>500,000</b>	<b>565,000</b>	<b>(65,000)</b>
<b>BOARD OF RETIREMENT</b>			
Board Conferences & Misc. Activity	255,000	354,000	(99,000)
Uncollectable Benefit Payments	-	-	-
<b>Total Operating Expenses Before Depreciation</b>	<b>9,785,000</b>	<b>10,413,000</b>	<b>(628,000)</b>
<b>DEPRECIATION</b>	<b>60,000</b>	<b>64,000</b>	<b>(4,000)</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>9,845,000</b>	<b>10,477,000</b>	<b>(632,000)</b>
<b>TOTAL PORTFOLIO MANAGEMENT</b>			
<b>INVESTMENT EXPENSE</b>	<b>20,710,000</b>	<b>27,681,000</b>	<b>(6,971,000)</b>
<b>TOTAL OPERATING AND PORTFOLIO MANAGEMENT INVESTMENT EXPENSES</b>	<b>\$ 30,555,000</b>	<b>\$ 38,158,000</b>	<b>\$ (7,603,000)</b>

## 2019 End-of-Year Forecast

<b>Operating Expense Budget</b>	<b>2019 Forecast</b>	<b>2019 Budget</b>	<b>2019 Forecast vs. 2019 Budget Over/(Under)</b>
<b>STAFFING</b>			
Salaries	\$ 8,831,000	\$ 9,566,000	\$ (735,000)
Fringe Benefits	5,208,000	5,456,000	(248,000)
Temporary Staffing/Miscellaneous Staffing	428,000	100,000	328,000
<b>Staffing Total</b>	<b>14,467,000</b>	<b>15,122,000</b>	<b>(655,000)</b>
<b>STAFF DEVELOPMENT</b>			
	<b>496,000</b>	<b>510,000</b>	<b>(14,000)</b>
<b>PROFESSIONAL FEES</b>			
Actuarial Fees	391,000	415,000	(24,000)
Audit Fees	149,000	149,000	-
Consultant Fees	376,000	388,000	(12,000)
Legal Fees	297,000	235,000	62,000
<b>Professional Fees Total</b>	<b>1,213,000</b>	<b>1,187,000</b>	<b>26,000</b>
<b>OFFICE EXPENSE</b>			
Bank Fees & Misc. Admin.	162,000	165,000	(3,000)
Building Expenses	60,000	63,000	(3,000)
Communications	99,000	109,000	(10,000)
Equipment Lease & Maint.	107,000	74,000	33,000
Minor Furniture & Equip.	18,000	18,000	-
Office Supplies & Maint.	88,000	97,000	(9,000)
Printing & Postage	26,000	28,000	(2,000)
<b>Office Expense Total</b>	<b>560,000</b>	<b>554,000</b>	<b>6,000</b>
<b>INSURANCE</b>			
	<b>1,307,000</b>	<b>1,305,000</b>	<b>2,000</b>
<b>MEMBER SERVICES</b>			
Disability - Legal Arbitration & Transcripts	63,000	75,000	(12,000)
Disability - Medical Expense	203,000	203,000	-
Disability - Claims Management	46,000	46,000	-
Health Reimbursement Account (HRA)	60,000	60,000	-
Member Training & Education	24,000	21,000	3,000
Printing & Postage - Members	122,000	122,000	-
<b>Member Services Total</b>	<b>518,000</b>	<b>527,000</b>	<b>(9,000)</b>
<b>SYSTEMS</b>			
Business Continuity Expenses	154,000	154,000	-
Computer Maintenance	14,000	21,000	(7,000)
County Data Processing	113,000	106,000	7,000
Minor Computer Hardware	25,000	30,000	(5,000)
Software Maintenance & Support	829,000	841,000	(12,000)
<b>Systems Total</b>	<b>1,135,000</b>	<b>1,152,000</b>	<b>(17,000)</b>
<b>BOARD OF RETIREMENT</b>			
Board Conferences & Misc. Activity	638,000	711,000	(73,000)
<b>UNCOLLECTABLE BENEFIT PAYMENTS</b>			
	<b>29,000</b>	<b>39,000</b>	<b>(10,000)</b>
<b>Total Operating Expenses Before Depreciation</b>	<b>20,363,000</b>	<b>21,107,000</b>	<b>(744,000)</b>
<b>DEPRECIATION</b>			
	<b>119,000</b>	<b>126,000</b>	<b>(7,000)</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>20,482,000</b>	<b>21,233,000</b>	<b>(751,000)</b>
<b>TOTAL PORTFOLIO MANAGEMENT</b>			
<b>INVESTMENT EXPENSE</b>	<b>49,556,000</b>	<b>56,985,000</b>	<b>(7,429,000)</b>
<b>TOTAL OPERATING AND PORTFOLIO</b>			
<b>MANAGEMENT INVESTMENT EXPENSES</b>	<b>\$ 70,038,000</b>	<b>\$ 78,218,000</b>	<b>\$ (8,180,000)</b>