



**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 16, 2018
1:00 p.m.**

LOCATION	COMMITTEE MEMBERS	
ACERA C.G. "BUD" QUIST BOARD ROOM 475 14TH STREET, 10TH FLOOR OAKLAND, CALIFORNIA 94612-1900 MAIN LINE: 510.628.3000 FAX: 510.268.9574	OPHELIA BASGAL, CHAIR	APPOINTED
	ELIZABETH ROGERS, VICE CHAIR	ELECTED GENERAL
	JAIME GODFREY	APPOINTED
	HENRY LEVY	TREASURER
	GEORGE WOOD	ELECTED GENERAL

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.

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

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Call to Order: 1:00 p.m.

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 2018 ACERA Operating Expense Budget
 - Margo Allen
 - Dave Nelsen
2. 2019 Budget Committee Work Plan
 - Margo Allen

Trustee Remarks

Public Input (Time Limit: 4 minutes per speaker)

Future Discussion Items

- Review Proposed 2019 Operating Expense Budget


Establishment of Next Meeting Date

November 8, 2018 at 1:00 pm

Adjournment



MEMORANDUM TO THE BUDGET COMMITTEE

DATE: August 16, 2018
TO: Members of the Budget Committee
FROM: Margo Allen, Fiscal Services Officer 
SUBJECT: 2018 Mid-year Budget Review

Executive Summary

Staff has finalized the 2018 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, 2018) and the end-of-year operating expense forecast (as of December 31, 2018). Highlights of each follow below to facilitate discussion and expedite review.

In reviewing the year-to-date variance analysis, three budget line items were identified with overages exceeding \$15K¹. Of the three line-item overages, all but one (i.e., temporary staffing costs, which offsets vacancies) could be adjusted from forecasted surpluses to correct current overages. However, in reviewing the end-of-year forecast only one of the two mid-year overages remains; however, a new one (i.e., fringe benefits) emerges. Nevertheless, staff does not see an immediate need to make any line-item adjustments at this point in time.

Year-to-Date Review (as of June 30, 2018)

The variance analysis conducted for the six-month period ending June 30, 2018, reflects that ACERA's operating expenses are \$340K under budget, this compared to \$1,632,569 reflected during the 2017 mid-year review.

Excluding Temporary Staffing, only two line items have exceeded the \$15K overage threshold, that is, a). Disability--Medical Expenses, and b). Business Continuity Expenses. All other expenses for the period are under the threshold.

With regard to the temporary staffing costs, as of June 30, 2018, these expenses are \$283K over budget. Without exception, this overage is attributable to the cost of temporary staff to cover unfilled/vacant positions throughout the organization.

With regard to the Disability-Medical Expenses and Business Continuity Expenses, the former is the cost associated with a long-standing medical review, and the latter is the result of dual payments caused by a contractual overlap to pay for ACERA's business recovery site.

¹ The \$15,000 threshold has been used in previous years to establish consideration for line item transfers.

End-of-Year Review (June 30 – December 31, 2018)

The forecast review for the remainder of the budget year ending December 31, 2018, indicates that ACERA’s operating expenses will be approximately \$101K *over* budget (including depreciation). With the exception of Temporary Staffing and Fringe Benefit overages, \$669K and \$28K, respectively, and Business Continuity Expenses all other expenses for the remainder of the 2018 budget year are forecasted to be under budget.

With regard to the Temporary Staffing overage², again, this is the result of delayed hiring of permanent staff pending the outcome of an extensive reclassification effort for the retirement specialist series, but also outstanding recruitments for other organizational vacancies.

With regard to the Fringe Benefits overage this is mostly the result of the underestimated 2018 COLA rate, but it is also the aggregate effect of a onetime payment to ACMEA and unrepresented employees and unknown salary increase adjustments³.

Contingency Fund

The 2018 budget has a board-approved contingency fund. The table below reflects the detail of the fund. Staff raises point, to provide an option for funding the current projected budget shortfall from the \$112,000, Retirement Specialist Reclassification contingency, and to apprise the committee of the need of at least \$50,000 of the \$100,000 contingency for the pension administration system consultant during 2018.

2018 CONTINGENCY FUND			
Department	Description	Expense Type	Totals
Administration	Intranet - Ongoing Upgrade/Enhancement	Communication	\$ 15,000
Benefits	Retirement Specialist Reclassification	Staffing	112,000
Benefits	Keenan Health Insurance RFP	Consultant Fees	15,000
Legal	Disability Arbitration	Member Services	10,000
Project	EDMS Upgrade	System	10,000
Project	Pension Administration System Consultant	Consultant Fees	100,000
Project	WMS E-signature	System	7,000
Contingency Fund Total			\$ 269,000

Conclusion

At this point in time, staff is not recommending any line item adjustments; albeit, it is recognized that there is a forecasted 2018 budget shortfall of just over \$100,000. Staff has noted the need for two contingency line items to a) correct the 2018 budget shortfall; and, b) hire an Outside Project Manager (OPM) to begin work on the new Pension Administration System.

Attachment 1-- Year-to-Date Review as of June 30, 2018 (Variance Analysis)

Attachment 2 – End-of-Year Review as of December 31, 2018 (Forecast)

² Temporary Staffing \$669K—This overage is offset by the saving from the vacant positions in Benefits (\$310K) and Investment (\$63K), delay in hiring the Network System Analyst and Admin Specialist in PRISM (\$60K), and two unfilled positions in Fiscal Services (\$179K).

³ Fringe Benefits \$28K: 2018 unknown payments and unexpected salary increase adjustments include: a), an unknown onetime payment to ACMEA and unrepresented employees of \$150K; and b). an unexpected salary increase adjustment for ACERA’s counsels of \$15K and for the chief investment officer of \$20K.

2018 Year-to-Date as of June 30, Forecast (Variance Analysis)

Operating Expense Budget	2018 Year-to-Date Budget	2018 Year-to- Date Actual	2018 Actual vs. 2018 Budget Over/(Under)
STAFFING			
Salaries	\$ 4,331,000	\$ 4,062,000	\$ (269,000)
Fringe Benefits	2,351,000	2,350,000	(1,000)
Temporary Staffing/Miscellaneous Staffing	100,000	383,000	283,000
Staffing Total	6,782,000	6,795,000	13,000
STAFF DEVELOPMENT	296,000	165,000	(131,000)
PROFESSIONAL FEES			
Actuarial Fees	204,000	177,000	(27,000)
Audit Fees	146,000	146,000	-
Consultant Fees	201,000	184,000	(17,000)
Legal Fees	114,000	89,000	(25,000)
Professional Fees Total	665,000	596,000	(69,000)
OFFICE EXPENSE			
Bank Fees & Misc. Admin.	71,000	60,000	(11,000)
Building Expenses	26,000	33,000	7,000
Communications	55,000	53,000	(2,000)
Equipment Lease & Maint.	35,000	40,000	5,000
Minor Furniture & Equip.	14,000	15,000	1,000
Office Supplies & Maint.	47,000	31,000	(16,000)
Printing & Postage	14,000	12,000	(2,000)
Office Expense Total	262,000	244,000	(18,000)
INSURANCE	630,000	630,000	-
MEMBER SERVICES			
Disability - Legal Arbitration & Transcripts	26,000	14,000	(12,000)
Disability - Medical Expense	71,000	89,000	18,000
Disability Claims Management	23,000	23,000	-
Health Reimbursement Account (HRA)	30,000	27,000	(3,000)
Member Training & Education	4,000	4,000	-
Printing & Postage - Members	45,000	20,000	(25,000)
Member Services Total	199,000	177,000	(22,000)
SYSTEMS			
Business Continuity Expenses	74,000	90,000	16,000
Computer Maintenance	11,000	10,000	(1,000)
County Data Processing	47,000	52,000	5,000
Minor Computer Hardware	16,000	20,000	4,000
Software Maintenance & Support	424,000	382,000	(42,000)
Systems Total	572,000	554,000	(18,000)
BOARD OF RETIREMENT			
Board Conferences & Misc. Activity	315,000	223,000	(92,000)
Uncollectable Benefit Payments	-	-	-
Total Operating Expenses Before Depreciation	9,721,000	9,384,000	(337,000)
DEPRECIATION	64,000	61,000	(3,000)
TOTAL OPERATING EXPENSE	9,785,000	9,445,000	(340,000)
TOTAL PORTFOLIO MANAGEMENT INVESTMENT EXPENSE	27,625,000	23,985,000	(3,640,000)
TOTAL OPERATING AND PORTFOLIO MANAGEMENT INVESTMENT EXPENSES	\$ 37,410,000	\$ 33,430,000	\$ (3,980,000)

2018 End-of-Year Forecast

Operating Expense Budget	2018 Budget	2018 Forecast	2018 Forecast vs. 2018 Budget Over/(Under)
STAFFING			
Salaries	\$ 8,959,000	\$ 8,532,000	\$ (427,000)
Fringe Benefits	4,747,000	4,775,000	28,000
Temporary Staffing/Miscellaneous Staffing	144,000	813,000	669,000
Staffing Total	13,850,000	14,120,000	270,000
STAFF DEVELOPMENT	559,000	532,000	(27,000)
PROFESSIONAL FEES			
Actuarial Fees	408,000	408,000	-
Audit Fees	146,000	146,000	-
Consultant Fees	360,000	357,000	(3,000)
Legal Fees	229,000	215,000	(14,000)
Professional Fees Total	1,143,000	1,126,000	(17,000)
OFFICE EXPENSE			
Bank Fees & Misc. Admin.	141,000	135,000	(6,000)
Building Expenses	53,000	57,000	4,000
Communications	113,000	113,000	-
Equipment Lease & Maint.	72,000	68,000	(4,000)
Minor Furniture & Equip.	28,000	28,000	-
Office Supplies & Maint.	95,000	83,000	(12,000)
Printing & Postage	28,000	27,000	(1,000)
Office Expense Total	530,000	511,000	(19,000)
INSURANCE	1,278,000	1,271,000	(7,000)
MEMBER SERVICES			
Disability - Legal Arbitration & Transcripts	53,000	43,000	(10,000)
Disability - Medical Expense	158,000	158,000	-
Disability - Claims Management	46,000	46,000	-
Health Reimbursement Account (HRA)	60,000	58,000	(2,000)
Member Training & Education	21,000	20,000	(1,000)
Printing & Postage - Members	133,000	118,000	(15,000)
Member Services Total	471,000	443,000	(28,000)
SYSTEMS			
Business Continuity Expenses	165,000	184,000	19,000
Computer Maintenance	21,000	21,000	-
County Data Processing	94,000	97,000	3,000
Minor Computer Hardware	32,000	32,000	-
Software Maintenance & Support	879,000	849,000	(30,000)
Systems Total	1,191,000	1,183,000	(8,000)
BOARD OF RETIREMENT			
Board Conferences & Misc. Activity	628,000	554,000	(74,000)
UNCOLLECTABLE BENEFIT PAYMENTS	30,000	43,000	13,000
Total Operating Expenses Before Depreciation	19,680,000	19,783,000	103,000
DEPRECIATION	126,000	124,000	(2,000)
TOTAL OPERATING EXPENSE	19,806,000	19,907,000	101,000
TOTAL PORTFOLIO MANAGEMENT			
INVESTMENT EXPENSE	55,252,000	55,160,000	(92,000)
TOTAL OPERATING AND PORTFOLIO			
MANAGEMENT INVESTMENT EXPENSES	\$ 75,058,000	\$ 75,067,000	\$ 9,000



2018 Budget Committee Work Plan (Proposed)

Action Items

Information Items

	Action Items	Information Items
August 16 @ 1:00 pm (Same day as Investments Committee meeting.)	<ul style="list-style-type: none">• None	<ul style="list-style-type: none">• 2018 Budget Committee Work Plan• Mid-Year review of 2019 ACERA Operating Expense Budget
November 8 @ 1:00 pm (2nd Thursday, same day as Board Meeting)	<ul style="list-style-type: none">• None	<ul style="list-style-type: none">• Review Proposed 2019 ACERA Operating Expense Budget
December 20 @ 1:00pm (3rd Thursday, same day as Board Meeting)	<ul style="list-style-type: none">• Discussion and possible motion to recommend approval of the 2019 ACERA Operating Expense Budget	<ul style="list-style-type: none">• None

1) This work plan is subject to changes without prior notice. Periodic rearrangements of agenda items will be made to the work plan to provide a reasonable length of time for each meeting.