



**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 *MA*
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.

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).

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

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 end-of-year \$669K Temporary Staffing overage², 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.

With regard to the end-of-year \$28K Fringe Benefits overage this is mostly the result of the underestimated 2018 Fringe Benefit rate, but it is also the aggregate effect of Fringe Benefits expenses associated with 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 savings from vacant positions in Benefits (\$197K) and Investments (\$45K), delay in hiring the Network System Analyst and Admin Specialist in PRISM (\$26K), and vacant/unfilled positions in Fiscal Services (\$226K). Other offsets include \$128K savings from employee leaves and merit increase delays.

³ The unknown 2018 payments and unexpected salary increase adjustments include: a), an unknown onetime payment to ACMEA and unrepresented employees of \$123K; and b). unexpected salary increase adjustments for ACERA’s legal counsels of \$21K, a \$33K salary increase for the chief investment officer, as well as 18K in unbudgeted overtime .



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.