



Donald C. Kendig, CPA
Retirement Administrator

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

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DATE: February 17, 2016

TO: Trustees
Board of Retirement

FROM: Donald C. Kendig, CPA
Retirement Administrator

STAFF CONTACT: Becky Van Wyk
Assistant Retirement Administrator

SUBJECT: Budget Status for the Quarter Ended December 31, 2015 – RECEIVE AND FILE

Background

The attached report (Exhibit A) represents the Retirement Association's Fiscal Year 2015-16 administrative budget status, on a cash basis at December 31, 2015. This report is prepared on a quarterly basis to inform the Board on the progress of the administrative budget for the current fiscal year.

Discussion

The total expenditures reported as of December 31, 2015 were 41% of the adopted budget. Salaries and Benefits at 44% were below the expected 50% as a result of vacancies in the Supervising Retirement Specialist, Retirement Specialist and Account Clerk positions from October through December 2015.

Expenditures for Services and Supplies were 37% of the budget. Professional and Specialized expenditures were at 27% primarily due to the invoices not having been received at the end of the accounting period. Insurance premiums at 95% were due to the insurance policies renewing in the first and second quarters of the fiscal year. Staff and Board Travel and Education expenditures at 104% and 51% respectively, were more than anticipated when the budget was prepared, and primarily due to the VitalSmarts crucial conversations training that occurred in September 2015. Memberships were more than the expected 50%, primarily due to a new membership to the Council of Institutional Investors, and the SACRS annual membership renewing in the first quarter of the fiscal year.

As requested by your Board previously, I have included additional information on the amounts paid to the investment managers and other investment related professionals (Exhibit B) and expenditures for maintenance of the Administrative Building (Exhibit C).

Also included is a report on the excluded costs for information technology related projects (Exhibit D). Consulting services on the new pensions administration system exceed the appropriations in the current year. However, there are \$425,578 in unexpended appropriations remaining in the 2015 budget. The mid-year budget adjustment will include a request to move these appropriations to the current year.

Fiscal and Financial Impacts

There are no known financial impacts to receive and file this Budget Status.

Recommended Action

Receive and file.

Attachments

1. Budget Status (Exhibit A)
2. Investment Expenses (Exhibit B)
3. Maintenance Expenditures (Exhibit C)
4. Information Technology Projects (Exhibit D)

FCERA
Budget Status Report
 Fiscal Year 2015-16
 For the Quarter Ended December 31, 2015

	ADOPTED APPROPRIATIONS	EXPENDITURES	UNEXPENDED BUDGET	%
<u>SALARIES & BENEFITS</u>				
Salaries	\$ 1,395,800.00	\$ 624,291.64	\$ 771,508.36	45%
Extra Help	13,600.00	6,835.77	6,764.23	50%
Overtime	69,100.00	28,846.49	40,253.51	42%
Unemployment Insurance	200.00	112.00	88.00	56%
Retirement	770,400.00	348,276.67	422,123.33	45%
FICA Contribution	110,800.00	44,121.14	66,678.86	40%
Workers' Compensation	6,200.00	3,123.00	3,077.00	50%
Health Insurance	230,400.00	82,720.76	147,679.24	36%
Management Life and Disability	1,800.00	464.94	1,335.06	26%
Benefit Administration	3,100.00	1,554.18	1,545.82	50%
TOTAL SALARIES AND BENEFITS	<u>2,601,400.00</u>	<u>1,140,346.59</u>	<u>1,461,053.41</u>	<u>44%</u>
<u>SERVICES & SUPPLIES</u>				
Telephone	8,900.00	3,460.26	5,439.74	39% (1)
Liability Insurance	133,900.00	127,006.04	6,893.96	95% (2)
Maintenance-Bldgs and Grounds	45,700.00	14,385.74	31,314.26	31% (1)
Memberships	8,400.00	13,484.00	(5,084.00)	161% (3), (5)
Office Expense	86,000.00	30,538.65	55,461.35	36% (1)
Postage	35,000.00	12,913.74	22,086.26	37% (1)
PeopleSoft Human Resources	4,400.00	1,964.15	2,435.85	45% (1)
PeopleSoft Financials	12,200.00	5,341.66	6,858.34	44% (1)
Professional & Specialized	1,381,900.00	378,111.51	1,003,788.49	27% (1)
Data Processing	136,700.00	54,604.71	82,095.29	40% (1)
Utilities	32,500.00	15,086.52	17,413.48	46% (1)
Commissions/Advisory Boards	12,000.00	5,000.00	7,000.00	42% (1)
Trans, Travel & Education	36,700.00	37,986.77	(1,286.77)	104% (4), (5)
Travel-Board	62,900.00	32,304.24	30,595.76	51% (4)
TOTAL SERVICES & SUPPLIES	<u>1,997,200.00</u>	<u>732,187.99</u>	<u>1,265,012.01</u>	<u>37%</u>
TOTAL SALARIES, BENEFITS, SERVICES AND SUPPLIES	<u>4,598,600.00</u>	<u>1,872,534.58</u>	<u>2,726,065.42</u>	<u>41%</u>
TOTAL ADMINISTRATIVE BUDGET	<u>4,598,600.00</u>	<u>1,872,534.58</u>	<u>2,726,065.42</u>	<u>41%</u>
EXCLUDED ASSETS COSTS	<u>725,083.00</u>	<u>357,446.19</u>	<u>367,636.81</u>	
TOTAL BUDGET	<u>\$ 5,323,683.00</u>	<u>\$ 2,229,980.77</u>	<u>\$ 3,093,702.23</u>	

(1) Second quarter billings not all received by the end of the accounting period.

(2) Some insurance policies renewed in the second quarter.

(3) New membership joined in the second quarter for Council of Institutional Investors.

(4) Board and Staff travel do not occur uniformly within each quarter.

(5) Higher than anticipated at budget preparation.

(6) Depreciation Expense is a non-cash transaction & therefore not included in the Budget Status.

FCERA
Schedule of Investment Expenses
At December 31, 2015

Exhibit B

Detail - 7564		Paid Quarter ended 9/30/2015	Paid Quarter ended 12/31/2015	Estimate for Prior Unpaid Quarters		Budget Year 2015-16 Expenditures	Actual Budget Year 2014-15 Expenditures*
BlackRock Commodities Index Fund	Alternative Investment			73,953.54	(4)	73,953.54	295,814.14 ^
New Mountain (all)	Alternative Investment	-		62,712.50	(6)	62,712.50	125,425.00 ^
Invesco Commodity Trust Fund	Alternative Investment		71,924.10	16,572.92	(4)	88,497.02	66,291.66
Remaining Managers Net Fees with							
Earnings or Capital Calls	Alternative Investment	-		2,563,537.16	(1) (6)	2,563,537.16	5,127,074.32 ^
Alternative and Private Equity Investment	Alternative and Private Equity						
Total	Investment	-	71,924.10	2,716,776.12		2,788,700.22	5,614,605.12 ^
Artisan			256,138.98	445,629.18	(4)	701,768.16	1,782,516.70
Aronson, Johnson & Ortiz	Equity			106,066.75	(4)	106,066.75	424,267.00
Kalmar Investments	Equity	139,800.00	121,693.00		(3)	261,493.00	483,466.00
Mondrian Investment Group (All)	Equity		539,440.87	618,668.50	(4)	1,158,109.37	2,474,674.00
Research Affiliates	Equity		69,886.70	103,864.31	(4)	173,751.01	415,457.24
State Street (S&P500, TIPS,)	Equity		26,418.51	30,666.65	(4)	57,085.16	122,666.61
Systematic Financial Management	Equity		59,739.18	64,085.31	(4)	123,824.49	256,341.25
Waddell & Reed Investment Manager	Equity		160,660.36	93,840.30	(4)	254,500.66	375,361.21
Wellington	Equity			87,236.44	(4)	87,236.44	348,945.75
Winslow Capital Management	Equity			65,584.95	(4)	65,584.95	262,339.81
Equity Investment Total	Equity Investment Total	139,800.00	1,233,977.60	1,615,642.39		2,989,419.99	6,946,035.57
BlackRock Fixed Income (Institutional Trust)	Fixed Income			79,803.70	(4)	79,803.70	319,214.79
Brandywine Global	Fixed Income		69,429.89	31,786.78	(4)	101,216.67	127,147.13
Loomis Sayles & Co. (All)	Fixed Income		137,036.58	137,868.19	(4)	274,904.77	551,472.77
Western Asset Management Co.	Fixed Income		50,281.06	79,493.11	(4)	129,774.17	317,972.44
Barclays US Agg Bond	Fixed Income		18,432.37	-	(2)	18,432.37	112,856.53
PIMCO (Pacific Investment Mgmt Co.)	Fixed Income		179,216.79	210,671.93	(4)	389,888.72	842,687.70
Eaton Vance	Fixed Income			207,061.83	(1) (4)	207,061.83	828,247.31
Fixed Income Total	Fixed Income Total	-	454,396.69	746,685.54		1,201,082.23	3,099,598.67
Verus Advisory Inc	Consulting	62,500.00	94,583.33	30,972.22	(5)	188,055.55	371,666.68
Institutional Shareholders	Consulting-Class Action Services			-	(2)	-	1,875.00
Consulting Total	Consulting Total	62,500.00	94,583.33	30,972.22		188,055.55	373,541.68
Segal Company	Actuary			-	(2)	-	66,000.00
Actuary Total	Actuary Total	-	-	-		-	66,000.00
Foster Pepper Attorneys	Investment Legal Fees	2,840.00	46,040.00	-	(2)	48,880.00	157,589.00
Reed Smith	Investment Legal Fees		4,284.00	-	(2)	4,284.00	6,415.20
Other Legal Fees (County Counsel) (Notary)	Investment Legal Fees	28.00	50.00	-	(2)	78.00	262.20
Investment Legal Fees Total	Investment Legal Fees Total	2,868.00	50,374.00	-		53,242.00	164,266.40
Due Diligence Visits	Other	1,324.59	3,267.26	-	(2)	4,591.85	-
Northern Trust - Custodial	Other		28,750.00	27,500.00	(4)	56,250.00	110,000.00
Other Total	Other Total	1,324.59	32,017.26	27,500.00		60,841.85	110,000.00
Federal Express	Delivery of Investment Documents		32.21	-	(2)	32.21	306.13
Golden State Overnight	Delivery of Investment Documents		6.55	-	(2)	6.55	34.08
Delivery of Investment Documents Total	Delivery of Investment Documents Total	-	38.76	-		38.76	340.21
Grand Total	Grand Total	206,492.59	1,937,311.74	5,137,576.27		7,281,380.60	16,374,387.65

FCERA
Schedule of Investment Expenses
At December 31, 2015

Exhibit B

* The information reported for Fiscal Year 2014-15 is presented on a cash basis with most including the fourth quarter accrual.

^ Alternative investment totals adjusted to actual expenditures at 6/30/2015.

(1) Management fees are netted with earnings or capital calls, so additional payment is not required. The netted management fees which are reported in the Comprehensive Annual Financial Report each year are typically within 1-2% of the total commitment.

(2) No accrual is estimated, use actual expenditures

(3) Paid through current quarter, no accrual needed

(4) Accrual is for one quarter based on prior year fees

(5) Accrual is for one month based on actual invoice

(6) Accrual is for two quarters based on prior year fees

FCERA
Schedule of Maintenance Expenditures
At December 31, 2015

Exhibit C

	ACCOUNT 7220 MAINTENANCE DETAIL		
	1st qtr	2nd qtr	Total
Janitorial	\$ 3,972.00	\$ 3,972.00	\$ 7,944.00
Pest Control	97.02	145.53	242.55
Security	1,787.70	2,547.99	4,335.69
Other (itemized below)	1,390.28	473.22	1,863.50
Grand Total	\$ 7,247.00	\$ 7,138.74	\$ 14,385.74
Other - Itemized			
Albright Electric - Light replacement		\$ 216.38	\$ 216.38
Z Blinds - Repair Blinds		75.00	75.00
FSI labor to change air conditioning filters		78.81	78.81
FSI Materials -Air conditioning filters	\$ 261.93	68.24	330.17
FSI labor for replacing light bulbs	157.62		157.62
Semi-Annual test of the Hirsch controller	118.22	34.79	153.01
Kims Plumbing toilet repair parts and labor	652.51		652.51
Jorgensen Co.- annual fire extinguisher maintenance and repair	52.00		52.00
Fact Automated Entrances - repair exit gate	148.00		148.00
Total Other	\$ 1,390.28	\$ 473.22	\$ 1,863.50

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Schedule of Excluded Expenditures
At December 31, 2015

Exhibit D

Excluded Costs				Adopted	Adjusted		Unexpended	Approp
Account	Program			Appropriations	Appropriations	Expenditures	Appropriations	% Used
8300	Equipment	91183	Replacement Computers,monitors and printers	25,083.00	25,083.00	2,995.39	22,087.61	11.94%
8300	Equipment	90906	Replacement PAS and new EDMS	500,000.00	500,000.00	50,000.00	450,000.00	10.00%
8300	Equipment	90906	Consulting Services on New Pensions Administration System	200,000.00	200,000.00	304,450.80	(104,450.80)	152.23%
			Total Excluded Assets	<u>725,083.00</u>	<u>725,083.00</u>	<u>357,446.19</u>	<u>367,636.81</u>	<u>49.30%</u>
			Total Excluded Costs	<u><u>725,083.00</u></u>	<u><u>725,083.00</u></u>	<u><u>357,446.19</u></u>	<u><u>367,636.81</u></u>	<u><u>49.30%</u></u>