



Donald C. Kendig, CPA
Retirement Administrator

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

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DATE: August 03, 2016

TO: Trustees
Board of Retirement

FROM: Donald C. Kendig, CPA
Retirement Administrator

Staff Contact: Becky Van Wyk, CPA
Assistant Retirement Administrator

SUBJECT: Budget Status for the Quarter Ended June 30, 2016 – 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 June 30, 2016. 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 June 30, 2016, including encumbrances, were 99% of the adopted budget. Please note that this percentage does not agree to the estimated expenditures included in the budget presentation due to estimates used for the budget presentation and that FCERA has historically encumbered all available balances (excluding salaries and benefits) at year end to ensure adequate funding for unexpected invoices. The budget presentation estimated expenditures at 94% of the adopted budget.

Appropriations used for Salaries and Benefits were 97% of the adopted budget, rather than the expected expenditures at 99%. Delays in filling vacancies and the use of Linea employees, for system data conversion, resulted in a reduction of overtime and FICA contributions. Health insurance costs are set by the County and dependent on the type of plan the employee enrolls in. FCERA budgets health insurance at the maximum rate to ensure adequate appropriations for the plan selected.

Expenditures for Services and Supplies were 100%, including encumbrances. The budget also anticipated expenditures at 100%.

An appropriations transfer of \$10,000 from fixed assets was approved by the Board of Retirement on June 1, 2016 in order to balance the training budget for the remainder of the fiscal year. From the time the agenda item was prepared to when the adjustment was made, expenditures had already occurred and the final amount transferred was \$9,069.

Professional and Specialized expenditures were at 66% primarily due to the invoices not having been received at the end of the accounting period. Insurance premiums at 186% were primarily due to the fiduciary insurance renewal on fiscal year 2016-17 being paid in advance. Staff and Board Travel and Education expenditures at 141% and 91% respectively, were more than anticipated when the budget was prepared due to the Crucial Conversations onsite training offered to FCERA in the 2015-16 fiscal year. Memberships were more than the expected at 168%, primarily due to a new membership to the Council of Institutional Investors. Office Expense at 69%, resulted from lower than anticipated printing charges of FCERA's newsletters, and the decision to not conduct a mass distribution of the revised member handbooks, announcing them by email & posting them on the web. Hardcopies are available on request.

With the exception of Salaries and Benefits, all remaining appropriations were encumbered to pay for the outstanding invoices and work in process. Salaries and Benefits are not encumbered because the County accrues estimated expenditures through year end so encumbering is not required.

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). An appropriations transfer of \$425,577 from the 2014-15 budget was approved by the Board of Retirement on June 14, 2016 due to the timing of the consulting services on the new pension administration system.

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 June 30, 2016

	ADOPTED APPROPRIATIONS	ADJUSTMENT TO APPROPRIATIONS	ADJUSTED BUDGET	EXPENDITURES	ENCUMBRANCES	UNEXPENDED BUDGET	%
SALARIES & BENEFITS							
Salaries	\$ 1,395,800.00	\$ -	\$ 1,395,800.00	\$ 1,399,941.61	\$ -	\$ (4,141.61)	100%
Extra Help	13,600.00	-	13,600.00	16,070.12	-	(2,470.12)	118%
Overtime	69,100.00	-	69,100.00	46,928.75	-	22,171.25	68% (1)
Unemployment Insurance	200.00	-	200.00	224.00	-	(24.00)	112%
Retirement	770,400.00	-	770,400.00	780,284.54	-	(9,884.54)	101%
FICA Contribution	110,800.00	-	110,800.00	100,167.15	-	10,632.85	90% (2)
Workers' Compensation	6,200.00	-	6,200.00	6,246.00	-	(46.00)	101%
Health Insurance	230,400.00	-	230,400.00	179,491.64	-	50,908.36	78% (3)
Management Life and Disability	1,800.00	-	1,800.00	1,034.46	-	765.54	57%
Benefit Administration	3,100.00	-	3,100.00	3,108.36	-	(8.36)	100%
TOTAL SALARIES AND BENEFITS	2,601,400.00	-	2,601,400.00	2,533,496.63	-	67,903.37	97%
SERVICES & SUPPLIES							
Telephone	8,900.00	-	8,900.00	7,613.96	-	1,286.04	86% (4)
Liability Insurance	133,900.00	-	133,900.00	248,930.95	-	(115,030.95)	186% (5)
Maintenance-Bldgs and Grounds	45,700.00	-	45,700.00	36,448.28	-	9,251.72	80% (4)
Memberships	8,400.00	-	8,400.00	14,079.00	-	(5,679.00)	168% (6)
Office Expense	86,000.00	-	86,000.00	59,430.08	-	26,569.92	69% (4), (7)
Postage	35,000.00	-	35,000.00	31,536.91	-	3,463.09	90% (4)
PeopleSoft Human Resources	4,400.00	-	4,400.00	4,539.38	-	(139.38)	103%
PeopleSoft Financials	12,200.00	-	12,200.00	12,185.33	-	14.67	100%
Professional & Specialized	1,381,900.00	-	1,381,900.00	910,746.89	392,089.98	79,063.13	66% (4)
Data Processing	136,700.00	-	136,700.00	132,582.12	-	4,117.88	97% (4)
Utilities	32,500.00	-	32,500.00	24,627.14	-	7,872.86	76% (4)
Commissions/Advisory Boards	12,000.00	-	12,000.00	9,900.00	-	2,100.00	83% (4)
Trans, Travel & Education	36,700.00	9,069.00 (9)	45,769.00	64,529.32	-	(18,760.32)	141% (8)
Travel-Board	62,900.00	-	62,900.00	57,029.66	-	5,870.34	91%
TOTAL SERVICES & SUPPLIES	1,997,200.00	9,069.00	2,006,269.00	1,614,179.02	392,089.98	(0.00)	80%
TOTAL SALARIES, BENEFITS, SERVICES AND SUPPLIES	4,598,600.00	9,069.00	4,607,669.00	4,147,675.65	392,089.98	67,903.37	90%
TOTAL ADMINISTRATIVE BUDGET	4,598,600.00	9,069.00	4,607,669.00	4,147,675.65	392,089.98	67,903.37	90%
EXCLUDED ASSETS COSTS	725,083.00	416,508.00	1,141,591.00	761,883.52	379,706.80	0.68	
TOTAL BUDGET	\$ 5,323,683.00	\$ 425,577.00 (10)	\$ 5,749,260.00	\$ 4,909,559.17	\$ 771,796.78	\$ 67,904.05	

- (1) Reduction due to the hiring of additional staff and use of Linea employees for backlog.
- (2) Reduction in overtime paid resulted in lower FICA Contribution.
- (3) Budgeted at the maximum, costs are set by the county based on plan employee enrolls in.
- (4) Fourth quarter billings not all received by the end of the accounting period.
- (5) Driver Alliant Insurance policy renewal on fiscal year 2016-17 paid in advance.
- (6) New membership joined in the second quarter for Council of Institutional Investors.
- (7) Newsletter printing charges less than expected and decision to not mail revised handbooks to all members.
- (8) Non Budgeted VitalSmarts crucial conversations training occurred in the first quarter.
- (9) Appropriations transfer from fixed assets approved by the Board of Retirement on June 1, 2016.
- (10) Appropriations transfer from the 2014-15 budget approved by the Board of Retirement on June 14, 2016.

FCERA
Schedule of Investment Expenses
At June 30, 2016

Exhibit B

Detail - 7564		Paid Quarter ended 9/30/2015	Paid Quarter ended 12/31/2015	Paid Quarter ended 3/31/2016	Paid Quarter ended 6/30/2016	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	70,080.64	67,327.46	16,572.92 (4)	225,905.12	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 Total	Alternative and Private Equity Investment	-	71,924.10	70,080.64	67,327.46	2,716,776.12	2,926,108.32	5,614,605.12
Artisan			256,138.98	324,857.59	272,516.82	445,629.18 (4)	1,299,142.57	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	126,211.00	125,867.00	(3)	513,571.00	483,466.00
Mondrian Investment Group (All)	Equity		539,440.87	552,898.76	582,268.00	618,668.50 (4)	2,293,276.13	2,474,674.00
Research Affiliates	Equity		69,886.70		102,317.25	103,864.31 (4)	276,068.26	415,457.24
State Street (S&P500, TIPS,)	Equity		26,418.51	26,045.37	25,538.85	30,666.65 (4)	108,669.38	122,666.61
Systematic Financial Management	Equity		59,739.18	88,033.05		64,085.31 (4)	211,857.54	256,341.25
Waddell & Reed Investment Manager	Equity		160,660.36	165,400.26	159,755.21	93,840.30 (4)	579,656.13	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	1,283,446.03	1,268,263.13	1,615,642.39	5,541,129.15	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	67,752.93	70,476.78	31,786.78 (4)	239,446.38	127,147.13
Loomis Sayles & Co. (All)	Fixed Income		137,036.58	226,095.19	121,231.40	137,868.19 (4)	622,231.36	551,472.77
Western Asset Management Co.	Fixed Income		50,281.06	103,867.06	87,410.05	79,493.11 (4)	321,051.28	317,972.44
Barclays US Agg Bond	Fixed Income		18,432.37	18,662.56	37,663.97	- (2)	74,758.90	112,856.53
PIMCO (Pacific Investment Mgmt Co.)	Fixed Income		179,216.79	177,964.96	196,708.15	210,671.93 (4)	764,561.83	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	594,342.70	513,490.35	746,685.54	2,308,915.28	3,099,598.67
Verus Advisory Inc	Consulting	62,500.00	94,583.33	96,249.99	96,249.99	30,972.22 (5)	380,555.53	371,666.68
Institutional Shareholders	Consulting-Class Action Services				7,500.00	- (2)	7,500.00	1,875.00
Consulting Total	Consulting Total	62,500.00	94,583.33	96,249.99	103,749.99	30,972.22	388,055.53	373,541.68
Segal Company	Actuary			67,000.00		- (2)	67,000.00	66,000.00
Actuary Total	Actuary Total	-	-	67,000.00	-	-	67,000.00	66,000.00
Foster Pepper Attorneys	Investment Legal Fees	2,840.00	46,040.00	73,027.00	61,972.00	- (2)	183,879.00	157,589.00
Reed Smith	Investment Legal Fees		4,284.00	74.25		- (2)	4,358.25	6,415.20
Other Legal Fees (County Counsel) (Notary)	Investment Legal Fees	28.00	50.00	74.00	97.50	- (2)	249.50	262.20
Investment Legal Fees Total	Investment Legal Fees Total	2,868.00	50,374.00	73,175.25	62,069.50	-	188,486.75	164,266.40
Due Diligence Visits	Other	1,324.59	3,267.26		561.32	- (2), (7)	5,153.17	-
Northern Trust - Custodial	Other		28,750.00	28,750.00	28,750.00	27,500.00 (4)	113,750.00	110,000.00
Other Total	Other Total	1,324.59	32,017.26	28,750.00	29,311.32	27,500.00	118,903.17	110,000.00
Federal Express	Delivery of Investment Documents		32.21	87.84	116.65	- (2)	236.70	306.13
Golden State Overnight	Delivery of Investment Documents		6.55	6.89		- (2)	13.44	34.08
Delivery of Investment Documents Total	Delivery of Investment Documents Total	-	38.76	94.73	116.65	-	250.14	340.21
Grand Total	Grand Total	206,492.59	1,937,311.74	2,213,139.34	2,044,328.40	5,137,576.27	11,538,848.34	16,374,387.65

FCERA
Schedule of Investment Expenses
At June 30, 2016

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
- (7) Includes \$20 Due Diligence parking reimbursement for quarter ended 06/30/16.

FCERA
Schedule of Maintenance Expenditures
At June 30, 2016

Exhibit C

	ACCOUNT 7220 MAINTENANCE DETAIL				
	1st qtr	2nd qtr	3rd qtr	4th qtr	Total
Janitorial	\$ 3,972.00	\$ 3,972.00	\$ 4,290.24	\$ 4,449.36	\$ 16,683.60
Pest Control	97.02	145.53	97.02	194.04	533.61
Security	1,787.70	2,547.99	3,354.42	2,833.64	10,523.75
Landscaping			3,550.00		3,550.00
Other (itemized below)	1,390.28	473.22	2,077.06	1,216.76	5,157.32
Grand Total	\$ 7,247.00	\$ 7,138.74	\$ 13,368.74	\$ 8,693.80	\$ 36,448.28
Other - Itemized					
Albright Electric - Light replacement		\$ 216.38			\$ 216.38
Albright Electric - Wire replacement			\$ 504.70		504.70
Welding Repair Services - Light pole access plates			140.00		140.00
Z Blinds - Repair Blinds		75.00		\$ 266.00	341.00
FSI labor to change air conditioning filters		78.81	394.05	315.24	788.10
FSI Materials -Air conditioning filters	\$ 261.93	68.24		73.87	404.04
FSI labor for replacing light bulbs	157.62		394.05	78.81	630.48
FSI Materials for light replacement throughout the building			316.64		316.64
FSI labor for replacing light ballast				236.43	236.43
FSI labor for moving a keyboard tray			157.62		157.62
Semi-Annual test of the Hirsch controller	118.22	34.79		39.41	192.42
Kims Plumbing toilet repair parts and labor	652.51				652.51
Integrated Electronics repair building security system			170.00		170.00
Jorgensen Co.- annual fire extinguisher maintenance and repair	52.00				52.00
Fact Automated Entrances - repair exit gate	148.00				148.00
Vortex parts and labor to repair automatic front door				207.00	207.00
Total Other	\$ 1,390.28	\$ 473.22	\$ 2,077.06	\$ 1,216.76	\$ 5,157.32

FCERA
Schedule of Excluded Expenditures
At June 30, 2016

Exhibit D

Account		Excluded Costs	Adopted		Adjusted	Expenditures	Encumbrances	Unexpended	Approp
			Appropriations	Appropriations					
8300	Equipment	91183	Replacement Computers,monitors and printers	25,083.00	16,014.00	16,013.32	-	0.68	100.00%
8300	Equipment	90906	Replacement PAS and new EDMS	500,000.00	500,000.00	150,000.00	350,000.00	-	30.00%
8300	Equipment	90906	Consulting Services on New Pensions Administration System	200,000.00	625,577.00	595,870.20	29,706.80	-	95.25%
			Total Excluded Assets	725,083.00	1,141,591.00	761,883.52	379,706.80	0.68	66.74%
7295	Professional & Specialized		PAS Arrivos Hosting	-	-	-	-	-	
7295	Professional & Specialized		PAS Arrivos Maintenance & Support	24,388.00	24,388.00	26,420.00	-	(2,032.00)	
			Total Expenditures	24,388.00	24,388.00	26,420.00	-	(2,032.00)	
			Total Excluded Costs	749,471.00	1,165,979.00	788,303.52	379,706.80	(2,031.32)	67.61%