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Date: February 17, 2016
To: Board of Retirement
From: Stan Conwell, Financial/Investment Officer
Subject: Preliminary Quarterly Budget Update

Introduction

Attached is the budget update report for the quarter and year-to-date ending December 31, 2015. Please note the figures in the report are preliminary and minor updates may occur as new data is received. The report is divided into four schedules. Schedule 1A compares current quarter expenditures to the expenditures during the same quarter of the prior year. Schedule 1B compares fiscal year expenditures to prior fiscal year expenditures. Schedule 2A compares current quarter expenditures to current quarter budgeted amounts. Schedule 2B compares fiscal year expenditures to fiscal year budgeted amounts. MCERA's administrative expenses for the quarter and fiscal year were below budget estimates and in line with prior period expenditures.

Schedule 1A & 1B:

Highlights from FY 2015 vs FY 2016 actual expense comparison for the current quarter and fiscal year-to-date are presented below:

- Personnel costs for the current quarter were higher than the prior year's quarter due to the addition of a permanent full-time Retirement Administrator. The extra help expense in FY 2015 was due MCERA's interim Retirement Administrator. The extra help expense for FY 2016 was related to the vacancy in the Retirement Specialist position.
- Administration expenses for the quarter and YTD were well below prior period expenditures. Legal expenses in FY 15 were elevated due to costs related to tax consulting related to the IRS determination letter filing as well as the COLA project. Contract costs were reduced significantly in FY 2016 primarily because outside accounting services are no longer needed. Recruitment services were not required in FY 2016 as well. Audit expense differs between fiscal years is due to timing of invoices. Office expense was elevated in FY 2015 due to one-time equipment and software license fees as well as higher postage and IT support fees from the county.

- Technology expenses decreased during the quarter as the implementation of the Pension Automation System entered the final phase before going live on January 1, 2016. For the year-to-date, total technology expenses were slightly below prior year expenditures.
- The Mondrian invoice for the second quarter of FY 16 has not been received. An estimate of the expense was included to reflect the pending liability. Similarly, the invoice for the June 30, 2015 valuation report is pending and an estimate of that expense was added as well.

Schedule 2A & 2B:

Schedule 2A compares actual expenditures vs budgeted amounts. Highlights from the budget vs actual comparison for the current quarter are presented below:

- Personnel costs were below budget for the quarter and fiscal year mainly because of the vacant Retirement Specialist position that has now been filled.
- Administrative expenses continue to be below budget for the quarter and fiscal year. Savings in legal expense, due to lower than expected legal services during the quarter, contributed significantly to the first half of the fiscal year being below budget. Staff and board education expenditures were also well below budget estimates. As noted above, the audit expense difference is due to timing.
- The administrative review costs of disability applications were above budget for the quarter. However, there were no hearing costs for the quarter or fiscal year and in aggregate, total disability expenditures were below budget.
- Investment fees are lower overall compared to the budget. The decline in market value during the quarter explains the drop in investment management fees. The current contract terms with Callan were extended last quarter and account for the fees being below budget. Please note that both the Mondrian fees and the Segal expense contain estimates and may change once the invoices for the period are received.

Conclusion

Fiscal year 2016 spending continues to be favorable when compared to the adopted budget and prior fiscal year-to-date spending. In aggregate, total administrative expenses for the first half of the fiscal year are below both budget estimates and actual costs from the comparable prior period. Total expenses including technology and investment expenses are also below budget and prior period costs. While the budget was built conservatively, some categories exhibit uneven spending patterns and the current cost savings could be offset by increased spending during the second half of the fiscal year. On the whole, if current spending trends continue, MCERA's total administrative expenses are expected to be at or below budget through the end of the fiscal year.

Mendocino County Employees Retirement Association				
Fiscal Year 2016 Budget Comparison				
Schedule 1A: Current Year Quarter vs Prior Year Quarter				
	FY 2015	FY 2016		
	Oct - Dec	Oct - Dec	Difference	
	Actual	Actual	\$	%
Personnel				
Gross Regular Salaries	\$ 52,796	\$ 85,340	\$ 32,544	61.64%
Extra Help	15,456	2,061	(13,395)	-86.67%
Overtime	1,702	-	(1,702)	-100.00%
Retirement	13,741	24,167	10,426	75.87%
Social Security	3,044	4,978	1,934	63.55%
Medicare	936	1,194	258	27.59%
Retirement Cola	5,065	9,227	4,162	82.16%
Health Insurance	16,179	17,174	995	6.15%
Unemployment Insurance	-	841	841	100.00%
Workers Comp	-	2,045	2,045	100.00%
Sub Total Personnel (BU 1920)	\$ 108,919	\$ 147,027	\$ 38,108	34.99%
Administrative				
Community Access	\$ 1,140.00	\$ -	\$ (1,140.00)	-100.00%
Recruitment	25,837	-	(25,837)	-100.00%
General Insurance	-	-	-	0.00%
Membership	-	-	-	0.00%
Office Expense	5,985	3,274	(2,711)	-45.30%
Legal Expense	25,294	17,669	(7,625)	-30.15%
Contracts	300	-	(300)	-100.00%
Travel In-County	132	101	(31)	-23.48%
Board Meeting Stipends	2,100	1,300	(800)	-38.10%
Board Education and Conferences	2,187	4,298	2,111	96.52%
Staff Education and Training	2,662	3,179	517	19.42%
Audit	5,000	22,000	17,000	340.00%
Fiduciary Insurance	39,425	39,415	(10)	-0.03%
Subtotal Administrative	\$ 110,062	\$ 91,236	\$ (18,826)	-17.10%
Total Personnel & Administrative	\$ 218,981	\$ 238,263	\$ 19,282	8.81%
Disability				
Hearing Preparation	\$ 8,584	\$ -	\$ (8,584)	-100.00%
Hearings	1,600	-	(1,600)	-100.00%
Administrative Review	6,992	10,401	3,409	48.76%
Subtotal Disability	\$ 17,176	\$ 10,401	\$ (6,775)	-39.44%
625-B Kings Court				
Imputed Rent	12,939	13,068	129	1.00%
Subtotal	\$ 12,939	\$ 13,068	\$ 129	1.00%
Total Administrative Expenses	\$ 249,096	\$ 261,732	\$ 12,636	5.07%
Technology				
LRS - PAS Project	\$ -	\$ 5,250	\$ 5,250	100.00%
Linea Solutions Consultant	92,875	63,635	(29,240)	-31.48%
PAS Project Related Expenses	4,825	13,791	8,966	185.80%
Subtotal Technology	\$ 97,700	\$ 82,676	\$ (15,024)	-15.38%
Investment				
Alliance Bernstein Fees	\$ 16,364	\$ -	\$ (16,364)	-100.00%
Mondrian Fees	40,519	35,000	(5,519)	-13.62%
Investment Consultant-Callan	45,500	36,400	(9,100)	-20.00%
Actuary Services-Segal	97,268	72,746	(24,522)	-25.21%
Other Investment Expense	-	-	-	0.00%
Subtotal Investments	\$ 199,651	\$ 144,146	\$ (55,505)	-27.80%
Total MCERA Expenses	\$ 546,447	\$ 488,554	\$ (57,893)	-10.59%

Mendocino County Employees Retirement Association				
Fiscal Year 2016 Budget Comparison				
Schedule 1B: Current Year To Date vs Prior Year To Date				
	FY 2015	FY 2016		
	July - Dec	July - Dec	Difference	
	Actual	Actual	\$	%
Personnel				
Gross Regular Salaries	\$ 97,090	\$ 142,416	\$ 45,326	46.68%
Extra Help	27,104	6,766	(20,338)	-75.04%
Overtime	3,029	-	(3,029)	-100.00%
Retirement	24,382	40,320	15,938	65.37%
Social Security	5,634	8,254	2,620	46.51%
Medicare	1,728	2,029	301	17.40%
Retirement Cola	9,127	15,362	6,235	68.31%
Health Insurance	27,441	29,429	1,988	7.25%
Unemployment Insurance	-	841	841	100.00%
Workers Comp	-	2,045	2,045	100.00%
Sub Total Personnel (BU 1920)	\$ 195,535	\$ 247,461	\$ 51,926	26.56%
Administrative				
Community Access	\$ 1,140	\$ -	(1,140)	-100.00%
Recruitment	39,987	-	(39,987)	-100.00%
General Insurance	-	-	-	0.00%
Membership	3,500	4,000	500	14.29%
Office Expense	11,733	7,585	(4,148)	-35.35%
Legal Expense	73,228	43,849	(29,379)	-40.12%
Contracts	15,849	5,528	(10,321)	-65.12%
Travel In-County	132	189	57	43.18%
Board Meeting Stipends	4,000	3,100	(900)	-22.50%
Board Education and Conferences	5,541	5,588	47	0.85%
Staff Education and Training	2,012	4,602	2,590	128.73%
Audit	20,000	37,000	17,000	85.00%
Fiduciary Insurance	39,425	39,415	(10)	-0.03%
Subtotal Administrative	\$ 216,547	\$ 150,856	\$ (65,691)	-30.34%
Total Personnel & Administrative	\$ 412,082	\$ 398,317	\$ (13,765)	-3.34%
Disability				
Hearing Preparation	\$ 8,584	\$ -	\$ (8,584)	-100.00%
Hearings	7,826	-	(7,826)	-100.00%
Administrative Review	9,987	17,520	7,533	75.43%
Subtotal Disability	\$ 26,397	\$ 17,520	\$ (8,877)	-33.63%
625-B Kings Court				
Imputed Rent	25,878	26,136	258	1.00%
Subtotal	\$ 25,878	\$ 26,136	\$ 258	1.00%
Total Administrative Expenses	\$ 464,357	\$ 441,973	\$ (22,384)	-4.82%
Technology				
LRS - PAS Project	\$ -	\$ 27,750	\$ 27,750	100.00%
Linea Solutions Consultant	151,965	110,289	(41,676)	-27.42%
PAS Project Related Expenses	10,690	16,453	5,763	53.91%
Subtotal Technology	\$ 162,655	\$ 154,492	\$ (8,163)	-5.02%
Investment				
Alliance Bernstein Fees	\$ 32,214	\$ 11,274	\$ (20,940)	-65.00%
Mondrian Fees	40,519	71,164	30,645	75.63%
Investment Consultant-Callan	81,900	72,800	(9,100)	-11.11%
Actuary Services-Segal	98,768	74,246	(24,522)	-24.83%
Other Investment Expense	(2,253)	-	2,253	-100.00%
Subtotal Investments	\$ 251,148	\$ 229,484	\$ (21,664)	-8.63%
Total MCERA Expenses	\$ 878,160	\$ 825,949	\$ (52,211)	-5.95%

Mendocino County Employees Retirement Association				
Fiscal Year 2016 Budget Comparison				
Schedule 2A: Current Year Quarter vs Current Quarter Budget				
	FY 2016	FY 2016		
	Oct - Dec	Oct - Dec	Difference	
	Budget	Actual	\$	%
Personnel				
Gross Regular Salaries	\$ 87,928	\$ 85,340	\$ (2,588)	-2.94%
Extra Help	-	2,061	2,061	100.00%
Overtime	-	-	-	0.00%
Retirement	25,022	24,167	(856)	-3.42%
Social Security	5,024	4,978	(46)	-0.92%
Medicare	1,175	1,194	19	1.63%
Retirement Cola	9,688	9,227	(461)	-4.76%
Health Insurance	20,874	17,174	(3,700)	-17.73%
Unemployment Insurance	1,627	841	(786)	-48.31%
Workers Comp	2,219	2,045	(174)	-7.84%
Sub Total Personnel (BU 1920)	\$ 153,558	\$ 147,027	\$ (6,531)	-4.25%
Administrative				
Community Access	\$ 1,250.00	\$ -	\$ (1,250.00)	-100.00%
Recruitment	-	-	-	0.00%
General Insurance	-	-	-	0.00%
Membership	-	-	-	0.00%
Office Expense	5,735	3,274	(2,461)	-42.91%
Legal Expense	28,800	17,669	(11,131)	-38.65%
Contracts	-	-	-	0.00%
Travel In-County	120	101	(19)	-15.83%
Board Meeting Stipends	2,100	1,300	(800)	-38.10%
Board Education and Conferences	9,100	4,298	(4,802)	-52.77%
Staff Education and Training	7,380	3,179	(4,201)	-56.92%
Audit	10,000	22,000	12,000	120.00%
Fiduciary Insurance	42,000	39,415	(2,585)	-6.15%
Subtotal Administrative	\$ 106,485	\$ 91,236	\$ (15,249)	-14.32%
Total Personnel & Administrative	\$ 260,043	\$ 238,263	\$ (21,780)	-8.38%
Disability				
Hearing Preparation	\$ 8,800	\$ -	\$ (8,800)	-100.00%
Hearings	5,200	-	(5,200)	-100.00%
Administrative Review	8,800	10,401	1,601	18.19%
Subtotal Disability	\$ 22,800	\$ 10,401	\$ (12,399)	-54.38%
625-B Kings Court				
Imputed Rent	13,068	13,068	-	0.00%
Subtotal	\$ 13,068	\$ 13,068	\$ -	0.00%
Total Administrative Expenses	\$ 295,911	\$ 261,732	\$ (34,179)	-11.55%
Technology				
LRS - PAS Project	\$ -	\$ 5,250	\$ 5,250	100.00%
Linea Solutions Consultant	80,400	63,635	(16,765)	-20.85%
PAS Project Related Expenses	4,000	13,791	9,791	244.77%
Subtotal Technology	\$ 84,400	\$ 82,676	\$ (1,724)	-2.04%
Investment				
Alliance Bernstein Fees	\$ -	\$ -	\$ -	0.00%
Mondrian Fees	45,000	35,000	(10,000)	-22.22%
Investment Consultant-Callan	45,500	36,400	(9,100)	-20.00%
Actuary Services-Segal	68,500	72,746	4,246	6.20%
Other Investment Expense	-	-	-	0.00%
Subtotal Investments	\$ 159,000	\$ 144,146	\$ (14,854)	-9.34%
Total MCERA Expenses	\$ 539,311	\$ 488,554	\$ (50,757)	-9.41%

Mendocino County Employees Retirement Association				
Fiscal Year 2015 Budget Comparison				
Schedule 2B: Current Year To Date vs Current Budget Year To Date				
	FY 2015	FY 2016		
	July - Dec	July - Dec	Difference	
	Budget	Actual	\$	%
Personnel				
Gross Regular Salaries	\$ 154,502	\$ 142,416	\$ (12,086)	-7.82%
Extra Help	-	6,766	6,766	100.00%
Overtime	-	-	-	0.00%
Retirement	43,968	40,320	(3,649)	-8.30%
Social Security	8,829	8,254	(574)	-6.51%
Medicare	2,065	2,029	(36)	-1.75%
Retirement Cola	17,023	15,362	(1,661)	-9.76%
Health Insurance	36,679	29,429	(7,250)	-19.77%
Unemployment Insurance	1,627	841	(786)	-48.31%
Workers Comp	2,219	2,045	(174)	-7.84%
Sub Total Personnel (BU 1920)	\$ 266,911	\$ 247,461	\$ (19,450)	-7.29%
Administrative				
Community Access	\$ 1,250	\$ -	\$ (1,250)	-100.00%
Recruitment	-	-	-	0.00%
General Insurance	-	-	-	0.00%
Membership	4,000	4,000	-	0.00%
Office Expense	11,150	7,585	(3,565)	-31.97%
Legal Expense	57,600	43,849	(13,751)	-23.87%
Contracts	10,000	5,528	(4,472)	-44.72%
Travel In-County	240	189	(51)	-21.25%
Board Meeting Stipends	4,000	3,100	(900)	-22.50%
Board Education and Conferences	13,700	5,588	(8,112)	-59.21%
Staff Education and Training	9,380	4,602	(4,778)	-50.94%
Audit	25,000	37,000	12,000	48.00%
Fiduciary Insurance	42,000	39,415	(2,585)	-6.15%
Subtotal Administrative	\$ 178,320	\$ 150,856	\$ (27,464)	-15.40%
Total Personnel & Administrative	\$ 445,231	\$ 398,317	\$ (46,914)	-10.54%
Disability				
Hearing Preparation	\$ 17,500	\$ -	\$ (17,500)	-100.00%
Hearings	10,200	-	(10,200)	-100.00%
Administrative Review	17,500	17,520	20	0.11%
Subtotal Disability	\$ 45,200	\$ 17,520	\$ (27,680)	-61.24%
625-B Kings Court				
Imputed Rent	26,136	26,136	-	0.00%
Subtotal	\$ 26,136	\$ 26,136	\$ -	0.00%
Total Administrative Expenses	\$ 516,567	\$ 441,973	\$ (74,594)	-14.44%
Technology				
LRS - PAS Project	\$ -	\$ 27,750	\$ 27,750	100.00%
Linea Solutions Consultant	201,000	110,289	(90,711)	-45.13%
PAS Project Related Expenses	8,000	16,453	8,453	105.66%
Subtotal Technology	\$ 209,000	\$ 154,492	\$ (54,508)	-26.08%
Investment				
Alliance Bernstein Fees	\$ 18,750	\$ 11,274	\$ (7,476)	-39.87%
Mondrian Fees	90,000	71,164	(18,836)	-20.93%
Investment Consultant-Callan	91,000	72,800	(18,200)	-20.00%
Actuary Services-Segal	70,000	74,246	4,246	6.07%
Other Investment Expense	-	-	-	0.00%
Subtotal Investments	\$ 269,750	\$ 229,484	\$ (40,266)	-14.93%
Total MCERA Expenses	\$ 995,317	\$ 825,949	\$ (169,368)	-17.02%