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Date: May 6, 2015
To: Board of Retirement
From: Stan Conwell, Financial/Investment Officer
Subject: Quarterly Budget Update

Introduction

Attached is the budget update report for the quarter ending March 31, 2015. The report was expanded from prior budget update reports with the approval of the Audit & Budget Committee. The new 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-to-date (YTD) expenditures to prior fiscal YTD expenditures. Schedule 2A compares current quarter expenditures to current quarter budgeted amounts. Schedule 2B compares fiscal YTD expenditures to fiscal YTD budgeted amounts. In total, fiscal YTD spending appears to be slightly below budgeted levels.

Schedule 1A & 1B:

Highlights from FY 2014 vs FY 2015 actual expense comparison for the current quarter and fiscal YTD are presented below:

- Personnel costs for the current quarter were higher than the prior year's quarter due to the addition of the Financial/Investment Officer position. A portion of the increase in personnel cost was offset by the reduction in contracts expense. Current YTD personnel expense reflects savings due to having a part-time Interim Retirement Administrator for part of the fiscal year.
- Office expense is lower for the current quarter and YTD due to higher county IT charges and one-time expenses that occurred in FY 2014. Timing differences related to county IT 1099 processing also contributed to the variance.
- Technology Expenses increased in FY 2015 due to the initiation of the major phases of the Pension Automation Project. Consistent with the contractual terms with LRS, automation costs for software and customization will not be paid until the work product is complete.

- Investment expense variances for the current quarter are due mainly to timing differences. The YTD increase can be explained by the actuarial experience study that was completed in FY 2015. The negative other investment expense resulted from securities litigation settlement payment receipts. Beginning next fiscal year, any securities litigation payments will be categorized as other investment income.

Schedule 2A & 2B:

Schedules 2A & 2B compare actual expenditures vs budgeted amounts. The FY 2015 adopted budget only included annual totals and as a result the budgeted amounts in the schedules are simple estimates from the FY 2015 adopted budget annual totals. The development of the FY 2016 budget includes quarterly budget amounts that will allow for more accurate budget vs actual reports. Highlights from the budget vs actual comparison for the current quarter and fiscal YTD are presented below:

- Personnel costs were below budget as a result of having a part-time Interim Retirement Administrator for part of the fiscal year. Some of the savings was offset by recruitment cost.
- Office expense is above budget because current quarter and YTD expenses include county IT costs and one-time expenses that were not included in the FY 2015 adopted budget.
- Disability costs are driven by applications. Although disability costs are below budget for the quarter and YTD, expenses may rise during the next quarter and bring YTD totals closer to the budgeted amounts.
- MCERA has two investment funds, Alliance Bernstein and Mondrian, that bill directly for management fees. The variance from the budget in management fees in the current quarter and YTD figures can be attributed to timing.

Conclusion

On the whole, expenditures through the first three quarters of the fiscal year are slightly below anticipated levels. With many of the major expenses for the year behind us, it is less likely that unexpected costs will arise and necessitate the need for budget revisions. It appears that minor budget overages can be offset by savings in other categories and will not impact the total budgeted expenses for the fiscal year.

Mendocino County Employees Retirement Association				
Fiscal Year 2015 Budget Comparison				
Schedule 1A: Current Year Quarter vs Prior Year Quarter				
	FY 2014	FY 2015		
	Jan - Mar	Jan - Mar	Difference	
	Actual	Actual	\$	%
Personnel				
Gross Regular Salaries	\$ 59,818	\$ 73,455	\$ 13,636	22.80%
Extra Help	2,723	3,317	594	21.81%
Overtime	-	132	132	100.00%
Retirement	14,110	16,414	2,304	16.33%
Social Security	3,486	4,176	690	19.79%
Medicare	855	1,025	170	19.88%
Retirement Cola	6,460	5,809	(651)	-58.83%
Health Insurance	10,766	15,591	4,824	44.81%
Unemployment Insurance	-	1,627	1,627	100.00%
Workers Comp	-	2,219	2,219	100.00%
Sub Total Personnel (BU 1920)	\$ 98,218	\$ 123,763	\$ 25,545	26.01%
Administrative				
Community Access	\$ 760	\$ 310	(450)	-59.21%
Recruitment	2,205	-	(2,205)	-100.00%
General Insurance	-	-	-	0.00%
Membership	890	660	(230)	-25.84%
Office Expense	14,548	6,667	(7,881)	-54.17%
Legal Expense	29,442	9,301	(20,141)	-68.41%
Contracts	16,998	15	(16,983)	-99.91%
Travel In-County	105	54	(51)	-48.57%
Board Meeting Stipends	1,600	1,800	200	12.50%
Board Education and Conferences	4,301	3,400	(901)	-20.95%
Staff Education and Training	1,333	1,681	348	26.11%
Audit	11,888	17,877	5,989	50.38%
Fiduciary Insurance	-	(50)	(50)	-100.00%
Subtotal Administrative	\$ 84,070	\$ 41,715	\$ (42,355)	-50.38%
Total Personnel & Administrative	\$ 182,288	\$ 165,478	\$ (16,810)	-9.22%
Disability				
Hearing Preparation	\$ 12,413	\$ -	\$ (12,413)	-100.00%
Hearings	-	-	-	0.00%
Administrative Review	10,321	3,595	(6,726)	-65.17%
Subtotal Disability	\$ 22,734	\$ 3,595	\$ (19,139)	-84.19%
625-B Kings Court				
Imputed Rent	12,902	12,939	37	0.29%
Subtotal	\$ 12,902	\$ 12,939	\$ 37	0.29%
Total Administrative Expenses	\$ 217,924	\$ 182,012	\$ (35,912)	-16.48%
Technology				
LRS - PAS Project	\$ -	\$ -	\$ -	0.00%
Linea Solutions Consultant	23,877	28,648	4,771	19.98%
PAS Project Related Expenses	-	543	543	100.00%
Subtotal Technology	\$ 23,877	\$ 29,191	\$ 5,314	22.26%
Investment				
Alliance Bernstein Fees	\$ 16,485	\$ -	\$ (16,485)	-100.00%
Mondrian Fees	39,564	39,061	(503)	-1.27%
Investment Consultant-Callan	36,400	27,300	(9,100)	-25.00%
Actuary Services-Segal	61,303	22,021	(39,282)	-64.08%
Other Investment Expense	332	-	(332)	-100.00%
Subtotal Investments	\$ 154,084	\$ 88,382	\$ (65,702)	-42.64%
Total MCERA Expenses	\$ 395,885	\$ 299,585	\$ (96,300)	-24.33%

Mendocino County Employees Retirement Association				
Fiscal Year 2015 Budget Comparison				
Schedule 1B: Current Year To Date vs Prior Year To Date				
	FY 2014	FY 2015		
	July - Mar	July - Mar	Difference	
	Actual	Actual	\$	%
Personnel				
Gross Regular Salaries	\$ 185,708	\$ 170,545	\$ (15,164)	-8.17%
Extra Help	2,723	30,421	27,698	1017.13%
Overtime	-	3,161	3,161	100.00%
Retirement	45,366	40,796	(4,570)	-10.07%
Social Security	9,857	9,810	(47)	-0.48%
Medicare	2,569	2,753	184	7.16%
Retirement Cola	20,788	14,936	(5,852)	-28.15%
Health Insurance	32,649	43,031	10,382	31.80%
Unemployment Insurance	3,215	1,627	(1,588)	-49.39%
Workers Comp	1,711	2,219	508	29.69%
Sub Total Personnel (BU 1920)	\$ 304,586	\$ 319,298	\$ 14,712	4.83%
Administrative				
Community Access	\$ 1,480	\$ 1,450	(30)	-2.03%
Recruitment	3,351	39,987	36,636	1093.29%
General Insurance	1,400	-	(1,400)	-100.00%
Membership	5,170	4,160	(1,010)	-19.54%
Office Expense	26,050	18,399	(7,651)	-29.37%
Legal Expense	89,237	82,529	(6,708)	-7.52%
Contracts	54,840	15,864	(38,976)	-71.07%
Travel In-County	243	186	(57)	-23.39%
Board Meeting Stipends	5,400	5,800	400	7.41%
Board Education and Conferences	10,127	8,941	(1,186)	-11.71%
Staff Education and Training	7,411	3,693	(3,718)	-50.17%
Audit	31,888	37,877	5,989	18.78%
Fiduciary Insurance	39,385	39,375	(10)	-0.03%
Subtotal Administrative	\$ 275,982	\$ 258,261	\$ (17,721)	-6.42%
Total Personnel & Administrative	\$ 580,568	\$ 577,560	\$ (3,009)	-0.52%
Disability				
Hearing Preparation	\$ 29,380	\$ 8,584	\$ (20,796)	-70.78%
Hearings	-	7,826	7,826	100.00%
Administrative Review	26,413	13,582	(12,831)	-48.58%
Subtotal Disability	\$ 55,793	\$ 29,992	\$ (25,801)	-46.24%
625-B Kings Court				
Imputed Rent	38,667	38,817	150	0.39%
Subtotal	\$ 38,667	\$ 38,817	\$ 150	0.39%
Total Administrative Expenses	\$ 675,028	\$ 646,368	\$ (28,660)	-4.25%
Technology				
LRS - PAS Project	\$ -	\$ -	\$ -	0.00%
Linea Solutions Consultant	52,464	180,613	128,149	244.26%
PAS Project Related Expenses	-	11,233	11,233	100.00%
Subtotal Technology	\$ 52,464	\$ 191,846	\$ 139,382	265.67%
Investment				
Alliance Bernstein Fees	\$ 31,619	\$ 32,214	\$ 595	1.88%
Mondrian Fees	76,223	79,580	3,357	4.40%
Investment Consultant-Callan	109,200	109,200	-	0.00%
Actuary Services-Segal	83,986	120,789	36,803	43.82%
Other Investment Expense	(10,175)	(2,253)	7,922	-77.86%
Subtotal Investments	\$ 290,853	\$ 339,530	\$ 48,677	16.74%
Total MCERA Expenses	\$ 1,018,346	\$ 1,177,745	\$ 159,399	15.65%

Mendocino County Employees Retirement Association				
Fiscal Year 2015 Budget Comparison				
Schedule 2A: Current Year Quarter vs Current Quarter Budget				
	FY 2015	FY 2015		
	Jan - Mar	Jan - Mar	Difference	
	Budget	Actual	\$	%
Personnel				
Gross Regular Salaries	\$ 81,137.50	\$ 73,455	\$ (7,683)	-9.47%
Extra Help	-	3,317	3,317	100.00%
Overtime	-	132	132	100.00%
Retirement	20,234	16,414	(3,820)	-18.88%
Social Security	4,956	4,176	(781)	-15.75%
Medicare	1,160	1,025	(135)	-11.67%
Retirement Cola	7,019	5,809	(1,210)	-17.24%
Health Insurance	21,895	15,591	(6,304)	-28.79%
Unemployment Insurance	-	1,627	1,627	100.00%
Workers Comp	-	2,219	2,219	100.00%
Sub Total Personnel (BU 1920)	\$ 136,401	\$ 123,763	\$ (12,638)	-9.27%
Administrative				
Community Access	\$ 1,500	\$ 310	\$ (1,190)	-79.33%
Recruitment	-	-	-	0.00%
General Insurance	-	-	-	0.00%
Membership	700	660	(40)	-5.71%
Office Expense	3,125	6,667	3,542	113.34%
Legal Expense	25,000	9,301	(15,699)	-62.80%
Contracts	1,500	15	(1,485)	-99.00%
Travel In-County	275	54	(221)	-80.36%
Board Meeting Stipends	2,000	1,800	(200)	-10.00%
Board Education and Conferences	5,000	3,400	(1,600)	-32.00%
Staff Education and Training	2,750	1,681	(1,069)	-38.87%
Audit	17,625	17,877	252	1.43%
Fiduciary Insurance	-	(50)	(50)	-100.00%
Subtotal Administrative	\$ 59,475	\$ 41,715	\$ (17,760)	-29.86%
Total Personnel & Administrative	\$ 195,876	\$ 165,478	\$ (30,398)	-15.52%
Disability				
Hearing Preparation	\$ 8,750	\$ -	\$ (8,750)	-100.00%
Hearings	5,000	-	(5,000)	-100.00%
Administrative Review	8,750	3,595	(5,155)	-58.91%
Subtotal Disability	\$ 22,500	\$ 3,595	\$ (18,905)	-84.02%
625-B Kings Court				
Imputed Rent	13,269	12,939	(330)	-2.49%
Subtotal	\$ 13,269	\$ 12,939	\$ (330)	-2.49%
Total Administrative Expenses	\$ 231,646	\$ 182,012	\$ (49,633)	-21.43%
Technology				
LRS - PAS Project	\$ -	\$ -	\$ -	0.00%
Linea Solutions Consultant	58,768	28,648	(30,120)	-51.25%
PAS Project Related Expenses	9,430	543	(8,887)	-94.24%
Subtotal Technology	\$ 68,198	\$ 29,191	\$ (39,007)	-57.20%
Investment				
Alliance Bernstein Fees	\$ 18,000	\$ -	\$ (18,000)	-100.00%
Mondrian Fees	43,500	39,061	(4,439)	-10.20%
Investment Consultant-Callan	37,765	27,300	(10,465)	-27.71%
Actuary Services-Segal	31,750	22,021	(9,729)	-30.64%
Other Investment Expense	-	-	-	0.00%
Subtotal Investments	\$ 131,015	\$ 88,382	\$ (42,633)	-32.54%
Total MCERA Expenses	\$ 430,858	\$ 299,585	\$ (131,273)	-30.47%

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 2015		
	July - Mar	July - Mar	Difference	
	Budget	Actual	\$	%
Personnel				
Gross Regular Salaries	\$ 243,412.50	\$ 170,545	\$ (72,868)	-29.94%
Extra Help	-	30,421	30,421	100.00%
Overtime	-	3,161	3,161	100.00%
Retirement	60,701	40,796	(19,905)	-32.79%
Social Security	14,869	9,810	(5,059)	-34.02%
Medicare	3,480	2,753	(727)	-20.90%
Retirement Cola	21,056	14,936	(6,121)	-29.07%
Health Insurance	65,685	43,031	(22,654)	-34.49%
Unemployment Insurance	3,215	1,627	(1,588)	-49.39%
Workers Comp	2,270	2,219	(51)	-2.25%
Sub Total Personnel (BU 1920)	\$ 414,689	\$ 319,298	\$ (95,390)	-23.00%
Administrative				
Community Access	\$ 2,250	\$ 1,450	\$ (800)	-35.56%
Recruitment	-	39,987	39,987	100.00%
General Insurance	1,500	-	(1,500)	-100.00%
Membership	5,000	4,160	(840)	-16.80%
Office Expense	9,375	18,399	9,024	96.26%
Legal Expense	75,000	82,529	7,529	10.04%
Contracts	18,500	15,864	(2,636)	-14.25%
Travel In-County	825	186	(639)	-77.44%
Board Meeting Stipends	6,000	5,800	(200)	-3.33%
Board Education and Conferences	15,000	8,941	(6,059)	-40.39%
Staff Education and Training	8,250	3,693	(4,557)	-55.23%
Audit	35,250	37,877	2,627	7.45%
Fiduciary Insurance	42,000	39,375	(2,625)	-6.25%
Subtotal Administrative	\$ 218,950	\$ 258,261	\$ 39,311	17.95%
Total Personnel & Administrative	\$ 633,639	\$ 577,560	\$ (56,079)	-8.85%
Disability				
Hearing Preparation	\$ 26,250	\$ 8,584	\$ (17,666)	-67.30%
Hearings	15,000	7,826	(7,174)	-47.83%
Administrative Review	26,250	13,582	(12,668)	-48.26%
Subtotal Disability	\$ 67,500	\$ 29,992	\$ (37,508)	-55.57%
625-B Kings Court				
Imputed Rent	39,808	38,817	(991)	-2.49%
Subtotal	\$ 39,808	\$ 38,817	\$ (991)	-2.49%
Total Administrative Expenses	\$ 740,947	\$ 646,368	\$ (94,578)	-12.76%
Technology				
LRS - PAS Project	\$ -	\$ -	\$ -	0.00%
Linea Solutions Consultant	176,303	180,613	4,311	2.44%
PAS Project Related Expenses	28,290	11,233	(17,057)	-60.29%
Subtotal Technology	\$ 204,593	\$ 191,846	\$ (12,746)	-6.23%
Investment				
Alliance Bernstein Fees	\$ 54,000	\$ 32,214	\$ (21,786)	-40.34%
Mondrian Fees	130,500	79,580	(50,920)	-39.02%
Investment Consultant-Callan	113,295	109,200	(4,095)	-3.61%
Actuary Services-Segal	125,500	120,789	(4,711)	-3.75%
Other Investment Expense	-	(2,253)	(2,253)	-100.00%
Subtotal Investments	\$ 423,295	\$ 339,530	\$ (83,765)	-19.79%
Total MCERA Expenses	\$ 1,368,834	\$ 1,177,745	\$ (191,089)	-13.96%