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MENDOCINO COUNTY
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Date: August 19, 2015
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 fiscal year ending June 30, 2015. Please note the figures in the report are preliminary and minor updates may occur as new data is received. As you may recall the budget update report was expanded beginning last quarter 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 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 were in line with budget estimates and prior year costs. For the fiscal year, spending was below budget and below prior fiscal year expenditures.

Schedule 1A & 1B:

Highlights from FY 2014 vs FY 2015 actual expense comparison for the current quarter and fiscal year 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 as well as the hiring of a permanent full-time Retirement Administrator. A portion of the increase in personnel cost was offset by the reduction in contracts expense for both the quarter and the fiscal year. Personnel expense also reflects savings due to the unfilled Retirement Specialist II position.
- Contracts expense was significantly lower for the current quarter and fiscal year due to the reduction in outside accounting services.
- As noted in the prior budget update, 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 increase for the fiscal year can be explained by the actuarial experience study as well as services related to the implementation of GASB 67. The negative other investment expense resulted from securities litigation settlement payment receipts.

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 quarterly report are simple estimates from the FY 2015 adopted budget annual totals. 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 year are presented below:

- Personnel costs were below budget for the fiscal year even after accounting for the recruitment cost to hire a permanent Retirement Administrator.
- As highlighted last quarter, office expense was above budget because current quarter and fiscal year expenses include county IT costs and one-time expenses that were not included in the FY 2015 adopted budget. Please also note that FY 2015 office expense is lower than FY 2014 office expense.
- Disability costs are difficult to budget because they are driven by applications. In comparison to the budgeted figures and actual FY 2014 costs, FY 2015 was a slow year for disabilities. Using those numbers a reference, MCERA experienced noteworthy savings.
- Audit expense was slightly above budget due to additional costs for a CAFR review.
- 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 can be attributed to timing. For the fiscal year, total investment expense was slightly below budget.

Conclusion

Fiscal year 2015 ended well from a budget standpoint. As anticipated, budget overages in some categories were offset by savings in other categories. Driven mainly by savings in personnel and disability expense, total administrative expenses came in at 9.78% below budget. Similarly, actual administrative expenses dropped by 2.93% from the prior fiscal year. Administrative expenses for FY 2015 are below MCERA's policy limit and well below the cap set by CERL.

Mendocino County Employees Retirement Association				
Fiscal Year 2015 Budget Comparison				
Schedule 1A: Current Year Quarter vs Prior Year Quarter				
	FY 2014	FY 2015		
	Apr - Jun	Apr - Jun	Difference	
	Actual	Actual	\$	%
Personnel				
Gross Regular Salaries	\$ 39,775	\$ 80,462	\$ 40,687	102.29%
Extra Help	20,378	3,419	(16,959)	-83.22%
Overtime	-	-	-	0.00%
Retirement	9,995	20,869	10,875	108.81%
Social Security	2,158	4,847	2,689	124.62%
Medicare	800	1,183	383	47.87%
Retirement Cola	4,575	7,158	2,583	-28.38%
Health Insurance	13,704	17,122	3,418	24.94%
Unemployment Insurance	-	-	-	0.00%
Workers Comp	-	-	-	0.00%
Sub Total Personnel (BU 1920)	\$ 91,384	\$ 135,060	\$ 43,676	47.79%
Administrative				
Community Access	\$ -	\$ 570	570	100.00%
Recruitment	4,369	-	(4,369)	-100.00%
General Insurance	-	-	-	0.00%
Membership	-	505	505	100.00%
Office Expense	5,204	8,393	3,189	61.28%
Legal Expense	16,519	24,381	7,862	47.59%
Contracts	18,151	700	(17,451)	-96.14%
Travel In-County	236	113	(123)	-52.12%
Board Meeting Stipends	2,200	1,500	(700)	-31.82%
Board Education and Conferences	2,870	5,721	2,851	99.34%
Staff Education and Training	771	5,124	4,353	564.59%
Audit	-	-	-	0.00%
Fiduciary Insurance	-	-	-	0.00%
Subtotal Administrative	\$ 50,320	\$ 47,007	\$ (3,313)	-6.58%
Total Personnel & Administrative	\$ 141,704	\$ 182,067	\$ 40,363	28.48%
Disability				
Hearing Preparation	\$ 1,840	\$ 2,242	\$ 402	21.85%
Hearings	17,615	10,756	(6,859)	-38.94%
Administrative Review	38,536	4,780	(33,756)	-87.60%
Subtotal Disability	\$ 57,991	\$ 17,778	\$ (40,213)	-69.34%
625-B Kings Court				
Imputed Rent	12,939	12,939	-	0.00%
Subtotal	\$ 12,939	\$ 12,939	\$ -	0.00%
Total Administrative Expenses	\$ 212,634	\$ 212,784	\$ 150	0.07%
Technology				
LRS - PAS Project	\$ -	\$ -	\$ -	0.00%
Linea Solutions Consultant	23,276	24,383	1,107	4.76%
PAS Project Related Expenses	12,755	9,596	(3,159)	-24.77%
Subtotal Technology	\$ 36,031	\$ 33,979	\$ (2,052)	-5.70%
Investment				
Alliance Bernstein Fees	\$ 33,061	\$ 17,950	\$ (15,111)	-45.71%
Mondrian Fees	83,274	80,617	(2,657)	-3.19%
Investment Consultant-Callan	36,400	36,400	-	0.00%
Actuary Services-Segal	20,204	17,130	(3,074)	-15.21%
Other Investment Expense	65	-	(65)	-100.00%
Subtotal Investments	\$ 173,004	\$ 152,097	\$ (20,907)	-12.08%
Total MCERA Expenses	\$ 421,669	\$ 398,860	\$ (22,809)	-5.41%

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 - June	July - June	Difference	
	Actual	Actual	\$	%
Personnel				
Gross Regular Salaries	\$ 225,483	\$ 252,119	\$ 26,636	11.81%
Extra Help	23,101	33,840	10,739	46.49%
Overtime	-	3,161	3,161	100.00%
Retirement	55,361	61,665	6,304	11.39%
Social Security	12,015	14,657	2,642	21.99%
Medicare	3,369	3,936	567	16.83%
Retirement Cola	25,363	22,094	(3,269)	-12.89%
Health Insurance	46,353	60,153	13,800	29.77%
Unemployment Insurance	3,215	1,627	(1,588)	-49.39%
Workers Comp	1,711	2,219	508	29.69%
Sub Total Personnel (BU 1920)	\$ 395,971	\$ 455,471	\$ 59,500	15.03%
Administrative				
Community Access	\$ 1,480	\$ 2,020	540	36.49%
Recruitment	7,720	39,987	32,267	417.97%
General Insurance	-	-	-	0.00%
Membership	5,170	4,665	(505)	-9.77%
Office Expense	31,254	26,792	(4,462)	-14.28%
Legal Expense	105,756	106,910	1,154	1.09%
Contracts	72,991	16,564	(56,427)	-77.31%
Travel In-County	479	299	(180)	-37.54%
Board Meeting Stipends	7,600	7,300	(300)	-3.95%
Board Education and Conferences	12,997	14,662	1,665	12.81%
Staff Education and Training	8,182	8,817	635	7.76%
Audit	31,888	37,877	5,989	18.78%
Fiduciary Insurance	39,385	39,375	(10)	-0.03%
Subtotal Administrative	\$ 324,902	\$ 305,268	\$ (19,634)	-6.04%
Total Personnel & Administrative	\$ 720,873	\$ 760,739	\$ 39,867	5.53%
Disability				
Hearing Preparation	\$ 31,220	\$ 10,826	\$ (20,394)	-65.32%
Hearings	17,615	18,582	967	5.49%
Administrative Review	64,949	18,362	(46,587)	-71.73%
Subtotal Disability	\$ 113,784	\$ 47,770	\$ (66,014)	-58.02%
625-B Kings Court				
Imputed Rent	51,606	51,756	150	0.29%
Subtotal	\$ 51,606	\$ 51,756	\$ 150	0.29%
Total Administrative Expenses	\$ 886,263	\$ 860,265	\$ (25,998)	-2.93%
Technology				
LRS - PAS Project	\$ -	\$ -	\$ -	0.00%
Linea Solutions Consultant	75,740	204,996	129,256	170.66%
PAS Project Related Expenses	12,755	20,829	8,074	63.30%
Subtotal Technology	\$ 88,495	\$ 225,825	\$ 137,330	155.18%
Investment				
Alliance Bernstein Fees	\$ 64,680	\$ 67,150	\$ 2,470	3.82%
Mondrian Fees	159,497	160,197	700	0.44%
Investment Consultant-Callan	145,600	145,600	-	0.00%
Actuary Services-Segal	104,190	137,919	33,729	32.37%
Other Investment Expense	(10,110)	(2,253)	7,857	-77.72%
Subtotal Investments	\$ 463,857	\$ 508,614	\$ 44,757	9.65%
Total MCERA Expenses	\$ 1,438,615	\$ 1,594,704	\$ 156,089	10.85%

Mendocino County Employees Retirement Association				
Fiscal Year 2015 Budget Comparison				
Schedule 2A: Current Year Quarter vs Current Quarter Budget				
	FY 2015	FY 2015		
	Apr - Jun	Apr - Jun	Difference	
	Budget	Actual	\$	%
Personnel				
Gross Regular Salaries	\$ 81,137.50	\$ 80,462	\$ (675)	-0.83%
Extra Help	-	3,419	3,419	100.00%
Overtime	-	-	-	0.00%
Retirement	20,234	20,869	636	3.14%
Social Security	4,956	4,847	(109)	-2.21%
Medicare	1,160	1,183	23	1.99%
Retirement Cola	7,019	7,158	139	1.99%
Health Insurance	21,895	17,122	(4,773)	-21.80%
Unemployment Insurance	-	-	-	0.00%
Workers Comp	-	-	-	0.00%
Sub Total Personnel (BU 1920)	\$ 136,401	\$ 135,060	\$ (1,341)	-0.98%
Administrative				
Community Access	\$ -	\$ 570	\$ 570	100.00%
Recruitment	-	-	-	0.00%
General Insurance	-	-	-	0.00%
Membership	700	505	(195)	-27.86%
Office Expense	3,125	8,393	5,268	168.58%
Legal Expense	25,000	24,381	(619)	-2.48%
Contracts	1,500	700	(800)	-53.33%
Travel In-County	275	113	(162)	-58.91%
Board Meeting Stipends	2,000	1,500	(500)	-25.00%
Board Education and Conferences	5,000	5,721	721	14.42%
Staff Education and Training	2,750	5,124	2,374	86.33%
Audit	-	-	-	0.00%
Fiduciary Insurance	-	-	-	0.00%
Subtotal Administrative	\$ 40,350	\$ 47,007	\$ 6,657	16.50%
Total Personnel & Administrative	\$ 176,751	\$ 182,067	\$ 5,316	3.01%
Disability				
Hearing Preparation	\$ 8,750	\$ 2,242	\$ (6,508)	-74.38%
Hearings	5,000	10,756	5,756	115.12%
Administrative Review	8,750	4,780	(3,970)	-45.37%
Subtotal Disability	\$ 22,500	\$ 17,778	\$ (4,722)	-20.99%
625-B Kings Court				
Imputed Rent	13,269	12,939	(330)	-2.49%
Subtotal	\$ 13,269	\$ 12,939	\$ (330)	-2.49%
Total Administrative Expenses	\$ 212,521	\$ 212,784	\$ 264	0.12%
Technology				
LRS - PAS Project	\$ -	\$ -	\$ -	0.00%
Linea Solutions Consultant	58,768	24,383	(34,384)	-58.51%
PAS Project Related Expenses	9,430	9,596	166	1.76%
Subtotal Technology	\$ 68,198	\$ 33,979	\$ (34,219)	-50.18%
Investment				
Alliance Bernstein Fees	\$ 18,000	\$ 17,950	\$ (50)	-0.28%
Mondrian Fees	43,500	80,617	37,117	85.33%
Investment Consultant-Callan	37,765	36,400	(1,365)	-3.61%
Actuary Services-Segal	31,750	17,130	(14,620)	-46.05%
Other Investment Expense	-	-	-	0.00%
Subtotal Investments	\$ 131,015	\$ 152,097	\$ 21,082	16.09%
Total MCERA Expenses	\$ 411,733	\$ 398,860	\$ (12,873)	-3.13%

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 - June	July - June	Difference	
	Budget	Actual	\$	%
Personnel				
Gross Regular Salaries	\$ 324,550	\$ 252,119	\$ (72,431)	-22.32%
Extra Help	-	33,840	33,840	100.00%
Overtime	-	3,161	3,161	100.00%
Retirement	80,935	61,665	(19,270)	-23.81%
Social Security	19,825	14,657	(5,168)	-26.07%
Medicare	4,640	3,936	(704)	-15.18%
Retirement Cola	28,075	22,094	(5,981)	-21.30%
Health Insurance	87,580	60,153	(27,427)	-31.32%
Unemployment Insurance	3,215	1,627	(1,588)	-49.39%
Workers Comp	2,270	2,219	(51)	-2.25%
Sub Total Personnel (BU 1920)	\$ 551,090	\$ 455,471	\$ (95,619)	-17.35%
Administrative				
Community Access	\$ 3,000	\$ 2,020	\$ (980)	-32.67%
Recruitment	-	39,987	39,987	100.00%
General Insurance	1,500	-	(1,500)	-100.00%
Membership	5,000	4,665	(335)	-6.70%
Office Expense	12,500	26,792	14,292	114.34%
Legal Expense	100,000	106,910	6,910	6.91%
Contracts	20,000	16,564	(3,436)	-17.18%
Travel In-County	1,100	299	(801)	-72.80%
Board Meeting Stipends	8,000	7,300	(700)	-8.75%
Board Education and Conferences	20,000	14,662	(5,338)	-26.69%
Staff Education and Training	11,000	8,817	(2,183)	-19.84%
Audit	35,250	37,877	2,627	7.45%
Fiduciary Insurance	42,000	39,375	(2,625)	-6.25%
Subtotal Administrative	\$ 259,350	\$ 305,268	\$ 45,918	17.71%
Total Personnel & Administrative	\$ 810,440	\$ 760,739	\$ (49,701)	-6.13%
Disability				
Hearing Preparation	\$ 35,000	\$ 10,826	\$ (24,174)	-69.07%
Hearings	20,000	18,582	(1,418)	-7.09%
Administrative Review	35,000	18,362	(16,638)	-47.54%
Subtotal Disability	\$ 90,000	\$ 47,770	\$ (42,230)	-46.92%
625-B Kings Court				
Imputed Rent	53,077	51,756	(1,321)	-2.49%
Subtotal	\$ 53,077	\$ 51,756	\$ (1,321)	-2.49%
Total Administrative Expenses	\$ 953,517	\$ 860,265	\$ (93,252)	-9.78%
Technology				
LRS - PAS Project	\$ -	\$ -	\$ -	0.00%
Linea Solutions Consultant	235,070	204,996	(30,074)	-12.79%
PAS Project Related Expenses	37,720	20,829	(16,891)	-44.78%
Subtotal Technology	\$ 272,790	\$ 225,825	\$ (46,965)	-17.22%
Investment				
Alliance Bernstein Fees	\$ 72,000	\$ 67,150	\$ (4,850)	-6.74%
Mondrian Fees	174,000	160,197	(13,803)	-7.93%
Investment Consultant-Callan	151,060	145,600	(5,460)	-3.61%
Actuary Services-Segal	127,000	137,919	10,919	8.60%
Other Investment Expense	-	(2,253)	(2,253)	-100.00%
Subtotal Investments	\$ 524,060	\$ 508,614	\$ (15,446)	-2.95%
Total MCERA Expenses	\$ 1,750,367	\$ 1,594,704	\$ (155,663)	-8.89%