

Date: September 13, 2017
To: Board of Retirement
From: James Wilbanks, Retirement Administrator
Subject: Fiscal Year 2018 Proposed Revised Budget

Attached you will find a Proposed Revised Budget for fiscal year 2018. There are four significant changes involved in this proposal. The first change in the Personnel Category reflects the adoption of a new Memorandum of Understanding (MOU) between Mendocino County and the Confidential Employees bargaining unit. All of the staff at MCERA, except for the Retirement Administrator, are members of this bargaining unit. The new MOU became effective September 1, 2017 and provides for a 3% increase in salaries plus a \$2,000 one-time payment.

The second significant change in the proposed revision involves the Retirement Specialist I position. The incumbent in this position recently completed their probationary year and became a permanent County employee. In accordance with County policy, and in reflection of outstanding job performance, the incumbent was also promoted to Retirement Specialist II. This promotion, as one would expect, involves an increase in both responsibilities and salary. The cost changes resulting from the new MOU and promotion result in an increase in the Personnel category expenses of \$30,367 in Fiscal Year 2018.

The next two changes are both related to the Property Maintenance Plan. As mentioned during the August Board Meeting, the bid for the parking lot resurfacing project was \$35,000, well in excess of the budgeted cost of \$20,000. The proposed revised budget includes this increase of \$15,000 for this project.

The final change included in the proposed revised budget is the estimated costs to replace the air conditioning (AC) units for the building. After the August Board meeting, we were notified that the AC unit for Suite A (State office space) was materially underperforming. We requested County facilities staff to investigate the unit and were advised the unit is 37 years old and needed to be replaced. I directed County facilities staff to begin the contracting process to replace the AC unit for Suite A. Subsequently, the AC unit for Suite B (MCERA) also began to underperform during the recent extreme heat. After discussing the issue with County facilities staff and realizing that both units were well past their expected life span, I decided that it was prudent to replace both units. Replacing both units offers a cost savings as opposed to replacing the units separately. We do not yet have bids, but expect the total cost to be \$50,000 or less.

I recommend the Board adopt the Fiscal Year 2018 Proposed Revised Budget.

Mendocino County Employees Retirement Association
Fiscal Year 2017/2018
Proposed Revised Budget - September 2017 Vs Adopted Budget - May 2017

	FY 2017/2018		FY 2017/2018		Difference	
	Adopted Budget		Proposed Revised Budget		\$	%
Personnel (BU 1920)						
Gross Regular Salaries	\$ 357,049	\$	377,191	\$	20,141	5.64%
Extra Help	-		-		-	0.00%
Retirement	102,823		109,559		6,736	6.55%
FICA	20,993		21,925		933	4.44%
Medicare	4,910		5,469		560	11.40%
Retirement Cola	30,721		32,718		1,997	6.50%
Health Insurance	66,586		66,586		-	0.00%
Unemployment Insurance	277		277		-	0.00%
Workers Comp	323		323		-	0.00%
Subtotal	\$ 583,682	\$	614,049	\$	30,367	5.20%
Administrative						
Office Expense	\$ 41,850	\$	41,850		-	0.00%
Legal Expense	118,000		118,000		-	0.00%
Audit	40,000		40,000		-	0.00%
Contracts	900		900		-	0.00%
Staff Education and Training	15,000		15,000		-	0.00%
Membership	5,250		5,250		-	0.00%
Subtotal	\$ 221,000	\$	221,000	\$	-	0.00%
Board Expense						
Fiduciary Insurance	\$ 42,000	\$	42,000	\$	-	0.00%
Board Meeting Stipends	7,100		7,100		-	0.00%
Board Education and Training	26,730		26,730		-	0.00%
Subtotal	\$ 75,830	\$	75,830	\$	-	0.00%
Total Personnel, Administrative & Board Expense						
	\$ 880,512	\$	910,879	\$	30,367	3.45%
Disability						
Administrative Review	\$ 33,525	\$	33,525	\$	-	0.00%
Hearing Preparation	30,000		30,000		-	0.00%
Hearings	15,000		15,000		-	0.00%
Subtotal	\$ 78,525	\$	78,525	\$	-	0.00%
625-B Kings Court						
Imputed Rent	\$ 52,932	\$	52,932	\$	-	0.00%
Subtotal	\$ 52,932	\$	52,932	\$	-	0.00%
Total Administrative Expense	\$ 1,011,969	\$	1,042,336	\$	30,367	3.00%

Mendocino County Employees Retirement Association
Fiscal Year 2017/2018
Proposed Revised Budget - September 2017 Vs Adopted Budget - May 2017

	FY 2017/2018		FY 2017/2018		Difference	
	Adopted Budget		Proposed Revised Budget		\$	%
Technology						
Automation						
LRS/Pension Gold	\$ 158,177		\$ 158,177		\$ -	0.00%
Linea Consultant	-		-		-	0.00%
County IT Related Expenses	5,000		5,000		-	0.00%
PCX Scan Station Project	10,500		10,500		-	0.00%
Subtotal	\$ 173,677		\$ 173,677		\$ -	0.00%
Investment						
New Investment Manager ¹	\$ 30,000		\$ 30,000		\$ -	0.00%
Mondrian Fees	230,000		230,000		-	0.00%
Investment Consultant-Callan	149,968		149,968		-	0.00%
Actuary Services-Segal	83,000		83,000		-	0.00%
Actuarial Audit	76,000		76,000		-	0.00%
State Street	60,600		60,600		-	0.00%
Other Investment Expense	1,000		1,000		-	0.00%
Subtotal	\$ 630,568		\$ 630,568		\$ -	0.00%
Property Maintenance Plan	\$ 47,000		\$ 112,000		\$ 65,000	138.30%
Total MCERA	\$ 1,863,214		\$ 1,958,581		\$ 95,367	5.12%
Total Administrative Expenses	\$ 1,011,969		\$ 1,042,336			
(Total ex Technology & Investment)						
CERL Administrative Cap	\$ 2,000,000		\$ 2,000,000			
(Over)/Under Cap	\$ 988,031		\$ 957,664			
MCERA Policy Cap	\$ 1,281,802		\$ 1,327,321			
Balance	\$ 269,833		\$ 284,985			
Basis Points Test	0.21%		0.21%			
AAL	\$ 610,381,849		\$ 632,057,539			
Date	6/30/2015		6/30/2016			

¹ A new manager may be added depending on the outcome of the manager selection portion of the FY '16 Asset/Liability Study.