

Date: May 9, 2018
To: Board of Retirement
From: James Wilbanks, Ph.D., Retirement Administrator and
Stan Conwell, CAIA, Finance/Investment Officer
Subject: Fiscal Year 2019 Budget Proposal

OVERVIEW

The fiscal year 2019 (FY-19) budget proposal was reviewed by the Audit & Budget Committee during its meeting on April 18, 2018. The attached budget proposal was recommended by the Committee for approval by the MCERA Board. The recommendation was approved by the Audit & Budget Committee unanimously and comes to the Board in the form of a motion, not requiring a second.

The attached schedules detail the proposed budget for MCERA for fiscal year 2019. The first schedule compares the FY-19 budget proposal to the FY-18 adopted budget for MCERA. The second schedule compares the FY-19 budget proposal to the FY-18 projected actual expenditures. The third compares the FY-18 projected actual expenditures to the FY-18 adopted budget. The third schedule is meant as a preview of the fourth quarter budget update. Further analysis of the actual FY-18 budget numbers will be provided with the fourth quarter budget update report. The fourth schedule compares the FY-19 proposed budget and the adopted budget for the prior four fiscal years. The fifth schedule compares the FY-19 proposed budget and the actual expenditures in the prior four years, with the FY-18 amount projected based on the first three quarters. These last two schedules provide historical perspective in viewing the budget proposal. Since there are four reference points on each of these schedules, there are no differences presented.

This overview provides additional detail on some of the differences in each section of the FY-19 budget proposal to provide context and information beyond the numbers provided in the schedules.

PERSONNEL

The information in the personnel section of the budget is provided to MCERA by the Auditor-Controller based on current staffing levels. There are no changes in staffing levels in the current proposal.

There are three primary drivers of the difference in the FY-19 proposed budget vs the FY-18 adopted budget. First is the salary increases for two staff due for step increases and the contracted salary increase for the Retirement Administrator. The second significant change is a reduction in health insurance costs.

The final significant change in the Personnel category proposed budget is a \$20,000 increase in salaries to budget for staff overtime. This increase also impacts the FICA and Medicare items, but does not impact retirement contributions since overtime is non-contributory. The budget for staff overtime is tied to several critical projects on the 2018 Board Work Plan that may require additional focused effort to complete within the desired deadlines. The total cost of the staff overtime item is \$21,491.

ADMINISTRATIVE

The proposed budget for FY-19 in the Administrative category includes an increase of \$98,970 from the FY-18 budget. The primary drivers of the proposed increase is the sub-category Contracts with a \$100,000 increase to reflect anticipated



expenditures for external parties to conduct a risk assessment and an IT security audit in accordance with the 2018 Board Work Plan. The proposal for \$100,000 for contracts is an estimate based on very limited information this amount could be revised in the future as more information becomes available.

In addition to the increase in the Contract sub-category, there are also changes in other sub-categories within the Administrative Category. Specifically the sub-categories Office Expense and Legal Expense include changes further discussed in the following sections.

Office Expense

The office expense in the FY-19 proposed budget shows an \$8,430 decrease from the FY-18 budget for a number of reasons. The first change is a reduction in postage due to fewer mailings being sent by the Association with the implementation of MemberDirect. Additionally, we have outsourced most major mail efforts to a private print shop that is able to pre-sort large mailings to also reduce postage.

The next significant change is in Board Support. Recall that we budgeted \$7,500 for new Board tablets in FY-18 which is removed in the FY-19 budget proposal. There is \$1,000 included in the FY-19 budget proposal as a contingency for replacement of a lost or damaged iPad or other needs.

The next item where changes are proposed is Office Equipment. In the FY-18 Budget, this included \$7,000 to purchase a new Board room table and seating for the public and \$3,000 to purchase three laptops for staff, both of which are removed from the proposed budget since they were one-time expenditures. The proposed FY-19 budget proposal includes \$5,000 to provide for new Board chairs, and \$3,000 to purchase two additional laptops for staff to further support staff telework as well as to provide support in the event the Association DR/BC plan is activated.

The FY-19 budget proposal also includes a targeted effort to improve customer service, specifically by offering drinks to visitors in the office. In addition to the proposal to provide refreshments to members, there is a proposal below to provide refreshments to Trustees during Board meetings that is included in the Board Expense category.

The final major change in Office Expense is specific expenditures for Communications. The FY-19 budget proposal includes \$1,960 for Communications, split between ongoing expenses related to the newsletter and surveys, and new expenditures intended to increase member awareness and encourage specific, measurable member behavior.

Legal Expense

There is an increase in the legal expense in the FY-19 proposed budget. There is an increase in the budget for Sonoma County Counsel caused by two factors. We normally see an increase in the hourly rate from Sonoma County Counsel every year and need to plan accordingly. Secondly, we anticipate an increase in the usage rate because of some projects on the 2018 Board Work Plan, including the IT Security Audit.

BOARD EXPENSE

The changes in the Board Expense category are relative minor. No change is proposed in the Fiduciary Insurance sub-category and the increase in Board Education and Training reflects a slight increase in Trustee travel expenses due to changes in training event locations.

In the FY-19 budget proposal, we are changing the sub-category Board Meeting Stipends to the more inclusive Board Meeting Expense. The proposed FY-19 budget for Board Meeting Expense includes funds to provide refreshments



during Board meetings including coffee and light snacks as well as providing meals for a working lunch when Board meetings last longer than four hours.

We conferred with the County Auditor-Controller regarding these expenses in light of various County policies. The advice we received is that if included in the approved budget for MCERA, the purchases are allowed with advance notice from the Retirement Administrator. These items are included in the recommended FY-19 budget in order to continue the efforts of the Board to increase the level of professionalism of the Board and to operate as a high performing team that focuses on policy focused governance.

DISABILITY

The only significant change in the Disability category is the combining of the sub-categories Hearing Preparation and Hearings into a single sub-category called Hearing. The separation provides no value in tracking expenses so it is eliminated.

There is a slight increase in the proposed budget for the Administrative Review sub-category as we are seeing a slight uptick in disability applications. We are also continuing to reduce the Hearings sub-category as expenses continue to come in below budget.

625-B KINGS COURT

The imputed rent for the office space occupied by MCERA in the building the Association owns is proposed to increase in FY-19. The increase in imputed rent for MCERA is tied to the increase in rent specified in the lease agreement between the Department of Rehabilitative Services and MCERA.

TECHNOLOGY

With implementation of the Pension Administration System (PAS) fully complete, the majority of the LRS/PensionGold costs are straightforward to predict as they are specified in the contract with Levi, Ray and Shoup (LRS), the provider of the Pension Gold system. This contract specified a 10 Year fee schedule. Based on that schedule the FY-19 Pension Gold fee is \$139,940. An additional \$14,000 is included in the proposed budget as a reserve for possible change orders that may be needed to the system. The FY-18 budget included \$20,000 for change orders.

INVESTMENT

There are a number of changes in the Investment category for the FY-19 proposed budget. The first change is the creation of a new sub-category Investment Manager Fees and the elimination of the sub-category Mondrian Fees. The latter is now included in the former. Additionally, the Board hired several new investment managers in FY-18 and all of those managers are being paid directly rather than netting expenses from the funds. This is an important step to improve the transparency of the costs of investment management for the Association.

The next change is a reduction in the sub-category Actuary Services – Segal due to the experience study and the analysis of alternative economic scenarios projects that were in the FY-18 budget and removed from the FY-19 budget proposal. Additionally, the Actuarial Audit is reduced to zero in the budget proposal since it will be completed this year.

Finally, there is a new sub-category for Internal Investment Monitoring proposed in the FY-19 budget. This sub-category includes funds for three distinct areas. First, staff is working to conduct regular due diligence meetings with our current investment managers. The next major component of Internal Investment Monitoring is obtaining data from an external provider. The final component in the Internal Investment Monitoring sub-category involves staff conducting on-site due



diligence meetings with Investment Consultant finalists. As the selection of an Investment Consultant is one of the most important service providers the Board selects, we recommend staff conduct these due diligence visits to better assess the finalists and prepare a fully informed recommendation for the Board.

CAPITAL IMPROVEMENT PLAN

Recall that in FY-18 MCERA budgeted for and completed a number of capital projects on the real asset at 625 Kings Court including parking lot resurfacing, replacing outdated HVAC systems, improving security around the patio for Suite A, improving the break room area in our suite and tree removal. There was one project that was budgeted but not completed in FY-18, irrigation system replacement and landscaping refresh. This project was canceled after the project bids were more than double the expected amounts due in large part to prevailing wage requirements.

Total funds budgeted for the FY-18 projects was \$112,000, all of which is removed from the FY-19 budget proposal. We recommend the inclusion of \$15,000 in the FY-19 budget for Property Maintenance as a contingency only to allow staff some flexibility should something unexpected arise during the fiscal year.

We solicited information from County Facilities staff regarding two projects, the irrigation system replacement and landscaping refresh project and replacing the property line fence on the South and West sides of the building. The estimate for each project was \$30,000. The committee decided that the estimated cost for each of these projects exceeded the value to the property and the fund, so the projects are not included in the FY-19 budget proposal.

Mendocino County Employees Retirement Association
Fiscal Year 2018/2019
Proposed Budget vs Prior Year Adopted Budget

	FY 2017/2018		FY 2018/2019		Difference	
	Adopted Budget		Proposed		\$	%
	As Revised - Feb		Budget			
Personnel (BU 1920)						
Gross Regular Salaries ¹	\$ 377,191	\$	414,696	\$	37,505	9.94%
Extra Help	-		-		-	0.00%
Retirement	109,559		115,686		6,127	5.59%
FICA	21,925		23,222		1,296	5.91%
Medicare	5,469		5,731		262	4.79%
Retirement Cola	32,718		31,330		(1,389)	-4.24%
Health Insurance	66,586		49,748		(16,838)	-25.29%
Unemployment Insurance	277		265		(12)	-4.33%
Workers Comp	323		305		(18)	-5.57%
Subtotal	\$ 614,049	\$	640,983	\$	26,934	4.39%
Administrative						
Office Expense	\$ 41,850	\$	33,420		(8,430)	-20.14%
Legal Expense	118,000		125,000		7,000	5.93%
Audit	40,000		39,400		(600)	-1.50%
Contracts ²	900		100,900		100,000	11111.11%
Staff Education and Training	15,000		16,000		1,000	6.67%
Membership	5,250		5,250		-	0.00%
Subtotal	\$ 221,000	\$	319,970	\$	98,970	44.78%
Board Expense						
Fiduciary Insurance	\$ 42,000	\$	42,000	\$	-	0.00%
Board Meeting Expense	7,100		8,100		1,000	14.08%
Board Education and Training	26,730		28,700		1,970	7.37%
Subtotal	\$ 75,830	\$	78,800	\$	2,970	3.92%
Total Personnel, Administrative & Board Expense	\$ 910,879	\$	1,039,753	\$	128,874	14.15%
Disability						
Administrative Review	\$ 33,525	\$	38,000	\$	4,475	13.35%
Hearing Preparation	30,000		-		(30,000)	-100.00%
Hearings ³	15,000		42,000		27,000	180.00%
Subtotal	\$ 78,525	\$	80,000	\$	1,475	1.88%
625-B Kings Court						
Imputed Rent	\$ 52,932	\$	53,484	\$	552	1.04%
Subtotal	\$ 52,932	\$	53,484	\$	552	1.04%
Total Administrative Expense	\$ 1,042,336	\$	1,173,237	\$	130,901	12.56%

Mendocino County Employees Retirement Association
Fiscal Year 2018/2019
Proposed Budget vs Prior Year Adopted Budget

	FY 2017/2018		FY 2018/2019		Difference	
	Adopted Budget As Revised - Feb		Proposed Budget		\$	%
Technology						
LRS/Pension Gold	\$ 158,177	\$	153,940	\$	(4,237)	-2.68%
County IT Related Expenses	5,000		5,000		-	0.00%
PCX Scan Station	10,500		9,000		(1,500)	-14.29%
Subtotal	\$ 173,677	\$	167,940	\$	(5,737)	-3.30%
Investment						
Investment Manager Fees ⁴	\$ 30,000	\$	649,368	\$	619,368	2064.56%
Mondrian Fees ⁵	230,000		-		(230,000)	-100.00%
Investment Consultant - Callan	149,968		150,168		200	0.13%
Actuary Services - Segal	98,000		87,000		(11,000)	-11.22%
Actuarial Audit	76,000		-		(76,000)	-100.00%
Custodian Bank - State Street	60,600		60,000		(600)	-0.99%
Internal Investment Monitoring ⁶	1,000		19,500		18,500	1850.00%
Subtotal	\$ 645,568	\$	966,036	\$	320,468	49.64%
Capital Improvement Plan	\$ 112,000	\$	15,000	\$	(97,000)	-86.61%
Total MCERA	\$ 1,973,581	\$	2,322,213	\$	348,632	17.66%
Total Administrative Expenses	\$ 1,042,336	\$	1,173,237			
(Total ex Technology & Investment)						
CERL Administrative Cap	\$ 2,000,000	\$	2,000,000			
(Over)/Under Cap	\$ 957,664	\$	826,763			
MCERA Policy Cap	\$ 1,327,321	\$	1,427,087			
Balance	\$ 284,985	\$	253,850			
Basis Points Test	0.21%		0.21%			
AAL	\$ 632,057,539	\$	679,565,362			
Date	6/30/2016		6/30/2017			

¹ Includes \$20,000 in staff overtime for projects.

² \$100,000 for internal risk audit contract.

³ Hearings Preparations and Hearings combined in FY 2019.

⁴ New Investment Managers paid directly rather than netting fees at the fund level.

⁵ Moved to Investment Manager Fees in FY 2019.

⁶ New in FY 2019: Investment manager monitoring, Consultant RFP, Investment Data.

Mendocino County Employees Retirement Association
Fiscal Year 2018/2019
Proposed Budget vs Prior Year Projected Actual

	FY 2017/2018		FY 2018/2019		Difference	
	Projected		Proposed		\$	%
	Actual		Budget			
Personnel (BU 1920)						
Gross Regular Salaries	\$ 386,930	\$	414,696	\$	27,766	7.18%
Extra Help	-		-		-	0.00%
Retirement	102,313		115,686		13,373	13.07%
FICA	21,533		23,222		1,689	7.84%
Medicare	5,272		5,731		460	8.72%
Retirement Cola	30,721		31,330		609	1.98%
Health Insurance	59,487		49,748		(9,739)	-16.37%
Unemployment Insurance	277		265		(12)	-4.33%
Workers Comp	323		305		(18)	-5.57%
Subtotal	\$ 606,855	\$	640,983	\$	34,128	5.62%
Administrative						
Office Expense	\$ 37,108	\$	33,420		(3,688)	-9.94%
Legal Expense	92,000		125,000		33,000	35.87%
Audit	41,200		39,400		(1,800)	-4.37%
Contracts	3,505		100,900		97,395	2778.74%
Staff Education and Training	10,500		16,000		5,500	52.38%
Membership	5,160		5,250		90	1.74%
Subtotal	\$ 189,473	\$	319,970	\$	130,497	68.87%
Board Expense						
Fiduciary Insurance	\$ 41,346	\$	42,000	\$	654	1.58%
Board Meeting Stipends	5,700		8,100		2,400	42.11%
Board Education and Training	23,000		28,700		5,700	24.78%
Subtotal	\$ 70,046	\$	78,800	\$	8,754	12.50%
Total Personnel, Administrative & Board Expense	\$ 866,374	\$	1,039,753	\$	173,379	20.01%
Disability						
Administrative Review	\$ 40,000	\$	38,000	\$	(2,000)	-5.00%
Hearing Preparation	5,000		-		(5,000)	-100.00%
Hearings ¹	7,500		42,000		34,500	460.00%
Subtotal	\$ 52,500	\$	80,000	\$	27,500	52.38%
625-B Kings Court						
Imputed Rent	\$ 52,932	\$	53,484	\$	552	1.04%
Subtotal	\$ 52,932	\$	53,484	\$	552	1.04%
Total Administrative Expense	\$ 971,806	\$	1,173,237	\$	201,431	20.73%

Mendocino County Employees Retirement Association
Fiscal Year 2018/2019
Proposed Budget vs Prior Year Projected Actual

	FY 2017/2018		FY 2018/2019		Difference	
	Projected Actual		Proposed Budget		\$	%
Technology						
LRS - Pension Gold	\$	140,615	\$	153,940	\$	13,325 9.48%
PAS Project Related Expenses		1,000		5,000		4,000 400.00%
PCX Scan Station		17,500		9,000		(8,500) -48.57%
Subtotal	\$	159,115	\$	167,940	\$	8,825 5.55%
Investment						
Investment Manager Fees ²	\$	300,000	\$	649,368	\$	349,368 116.46%
Mondrian Fees ³		223,000		-		(223,000) -100.00%
Investment Consultant - Callan		150,000		150,168		168 0.11%
Actuary Services - Segal		102,000		87,000		(15,000) -14.71%
Actuarial Audit		52,500		-		(52,500) -100.00%
Custodian Bank - State Street		54,000		60,000		6,000 11.11%
Internal Investment Monitoring ⁴		1,500		19,500		18,000 1200.00%
Subtotal	\$	883,000	\$	966,036	\$	83,036 9.40%
Capital Improvement Plan	\$	112,000	\$	15,000	\$	(97,000) -86.61%
Total MCERA	\$	2,125,921	\$	2,322,213	\$	196,292 9.23%
Total Administrative Expenses	\$	971,806	\$	1,173,237		
(Total ex Technology & Investment)						
CERL Administrative Cap	\$	2,000,000	\$	2,000,000		
(Over)/Under Cap	\$	1,028,194	\$	826,763		
MCERA Policy Cap	\$	1,327,321	\$	1,427,087		
Balance	\$	355,515	\$	253,850		
Basis Points Test		0.21%		0.21%		
AAL	\$	632,057,539	\$	679,565,362		
Date		6/30/2016		6/30/2017		

¹ Hearings Preparations and Hearings combined in FY 2019.

² New Investment Managers paid directly rather than netting fees at the fund level.

³ Moved to Investment Manager Fees in FY 2019.

⁴ New in FY 2019: Investment manager monitoring, Consultant RFP, Investment Data.

Mendocino County Employees Retirement Association
Fiscal Year 2018/2019
Prior Year Projected Actual vs Prior Year Adopted Budget

	FY 2017/2018		FY 2017/2018		Difference	
	Adopted Budget As Revised - Feb		Projected Actual		\$	%
Personnel (BU 1920)						
Gross Regular Salaries	\$ 377,191	\$	386,930	\$	9,739	2.58%
Extra Help	-		-		-	0.00%
Retirement	109,559		102,313		(7,246)	-6.61%
FICA	21,925		21,533		(393)	-1.79%
Medicare	5,469		5,272		(197)	-3.61%
Retirement Cola	32,718		30,721		(1,998)	-6.11%
Health Insurance	66,586		59,487		(7,099)	-10.66%
Unemployment Insurance	277		277		-	0.00%
Workers Comp	323		323		-	0.00%
Subtotal	\$ 614,049	\$	606,855	\$	(7,194)	-1.17%
Administrative						
Office Expense	\$ 41,850	\$	37,108		(4,742)	-11.33%
Legal Expense	118,000		92,000		(26,000)	-22.03%
Audit	40,000		41,200		1,200	3.00%
Contracts	900		3,505		2,605	289.44%
Staff Education and Training	15,000		10,500		(4,500)	-30.00%
Membership	5,250		5,160		(90)	-1.71%
Subtotal	\$ 221,000	\$	189,473	\$	(31,527)	-14.27%
Board Expense						
Fiduciary Insurance	\$ 42,000	\$	41,346	\$	(654)	-1.56%
Board Meeting Stipends	7,100		5,700		(1,400)	-19.72%
Board Education and Training	26,730		23,000		(3,730)	-13.95%
Subtotal	\$ 75,830	\$	70,046	\$	(5,784)	-7.63%
Total Personnel, Administrative & Board Expense	\$ 910,879	\$	866,374	\$	(44,505)	-4.89%
Disability						
Administrative Review	\$ 33,525	\$	40,000	\$	6,475	19.31%
Hearing Preparation	30,000		5,000		(25,000)	-83.33%
Hearings	15,000		7,500		(7,500)	-50.00%
Subtotal	\$ 78,525	\$	52,500	\$	(26,025)	-33.14%
625-B Kings Court						
Imputed Rent	\$ 52,932	\$	52,932	\$	-	0.00%
Subtotal	\$ 52,932	\$	52,932	\$	-	0.00%
Total Administrative Expense	\$ 1,042,336	\$	971,806	\$	(70,530)	-6.77%

Mendocino County Employees Retirement Association
Fiscal Year 2018/2019
Prior Year Projected Actual vs Prior Year Adopted Budget

	FY 2017/2018		FY 2017/2018		Difference	
	Adopted Budget As Revised - Feb		Projected Actual		\$	%
Technology						
LRS - PAS Project	\$ 158,177	\$	140,615	\$	(17,562)	-11.10%
PAS Project Related Expenses	5,000		1,000		(4,000)	-80.00%
EDMS Project	10,500		17,500		7,000	66.67%
Subtotal	\$ 173,677	\$	159,115	\$	(14,562)	-8.38%
Investment						
Investment Manager Fees	\$ 30,000	\$	300,000	\$	270,000	900.00%
Mondrian Fees	230,000		223,000		(7,000)	-3.04%
Investment Consultant - Callan	149,968		150,000		32	0.02%
Actuary Services - Segal	98,000		102,000		4,000	4.08%
Actuarial Audit	76,000		52,500			
Custodian Bank - State Street	60,600		54,000		(6,600)	-10.89%
Internal Investment Monitoring	1,000		1,500		500	50.00%
Subtotal	\$ 645,568	\$	883,000	\$	237,432	36.78%
Capital Improvement Plan	\$ 112,000	\$	112,000	\$	-	0.00%
Total MCERA	\$ 1,973,581	\$	2,125,921	\$	152,340	7.72%
Total Administrative Expenses	\$ 1,042,336	\$	971,806			
(Total ex Technology & Investment)						
CERL Administrative Cap	\$ 2,000,000	\$	2,000,000			
(Over)/Under Cap	\$ 957,664	\$	1,028,194			
MCERA Policy Cap	\$ 1,327,321	\$	1,327,321			
Balance	\$ 284,985	\$	355,515			
Basis Points Test	0.21%		0.21%			
AAL	\$ 632,057,539	\$	632,057,539			
Date	6/30/2016		6/30/2016			

Mendocino County Employees Retirement Association
 Fiscal Year 2018/2019
 Proposed Budget vs Prior 4 Year's Adopted Budgets

	FY 2018/2019 Proposed Budget	FY 2017/2018 Adopted Budget As Revised - Feb	FY 2016/2017 Adopted Budget	FY 2015/2016 Adopted Budget	FY 2014/2015 Adopted Budget
Personnel (BU 1920)					
Gross Regular Salaries ¹	\$ 414,696	\$ 377,191	\$ 343,514	\$ 326,589	\$ 324,550
Extra Help	-	-	-	-	-
Retirement	115,686	109,559	95,990	92,941	80,935
Social Security	23,222	21,925	19,447	18,662	19,825
Medicare	5,731	5,469	4,635	4,365	4,640
Retirement Cola	31,330	32,718	34,315	35,983	28,075
Health Insurance	49,748	66,586	66,586	77,533	87,580
Unemployment Insurance	265	277	650	2,219	3,215
Workers Comp	305	323	1,700	1,627	2,270
Subtotal	\$ 640,983	\$ 614,049	\$ 566,837	\$ 559,918	\$ 551,090
Administrative					
Office Expense	\$ 33,420	\$ 41,850	\$ 41,644	\$ 23,000	\$ 12,500
Legal Expense	125,000	118,000	92,500	115,000	100,000
Audit	39,400	40,000	44,500	45,250	35,250
Contracts ²	100,900	900	900	10,700	20,000
Staff Education and Training	16,000	15,000	20,000	22,220	11,000
Community Access ³	-	-	-	2,500	3,000
General Insurance ³	-	-	-	1,400	1,500
Membership	5,250	5,250	5,250	5,000	5,000
Travel In-County ³	-	-	-	500	1,100
Subtotal	\$ 319,970	\$ 221,000	\$ 204,794	\$ 225,570	\$ 189,350
Board Expense					
Fiduciary Insurance	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000
Board Meeting Expense	8,100	7,100	7,700	8,000	8,000
Board Education and Training	28,700	26,730	29,040	30,000	20,000
Subtotal	\$ 78,800	\$ 75,830	\$ 78,740	\$ 80,000	\$ 70,000
Total Personnel, Administrative & Board Expense	\$ 1,039,753	\$ 910,879	\$ 850,371	\$ 865,488	\$ 810,440
Disability					
Administrative Review	\$ 38,000	\$ 33,525	\$ 19,480	\$ 23,970	\$ 35,000
Hearing Preparation	-	30,000	35,000	35,000	35,000
Hearings ⁴	42,000	15,000	20,000	20,000	20,000
Subtotal	\$ 80,000	\$ 78,525	\$ 74,480	\$ 78,970	\$ 90,000
625-B Kings Court					
Imputed Rent	\$ 53,484	\$ 52,932	\$ 52,800	\$ 52,272	\$ 53,077
Subtotal	\$ 53,484	\$ 52,932	\$ 52,800	\$ 52,272	\$ 53,077
Total Administrative Expense	\$ 1,173,237	\$ 1,042,336	\$ 977,651	\$ 996,730	\$ 953,517

Mendocino County Employees Retirement Association
Fiscal Year 2018/2019
Proposed Budget vs Prior 4 Year's Adopted Budgets

	FY 2018/2019 Proposed Budget	FY 2017/2018 Adopted Budget As Revised - Feb	FY 2016/2017 Adopted Budget	FY 2015/2016 Adopted Budget	FY 2014/2015 Adopted Budget
Technology					
LRS - PAS Project	\$ 153,940	\$ 158,177	\$ 141,579	\$ 130,058	\$ 130,058
Linea Solutions Consultant	-	-	57,420	201,000	235,070
County IT PAS Expenses	5,000	5,000	10,000	8,000	37,720
EDMS Project	9,000	10,500	115,000	115,000	-
Subtotal	\$ 167,940	\$ 173,677	\$ 323,999	\$ 454,058	\$ 402,848
Investment					
Investment Manager Fees ⁵	\$ 649,368	\$ 30,000	\$ 295,000	\$ 75,000	72,000
Mondrian Fees ⁶	-	230,000	190,000	180,000	174,000
Investment Consultant - Callan	150,168	149,968	163,800	182,000	151,060
Actuary Services - Segal	87,000	98,000	125,000	85,000	127,000
Actuarial Audit	-	76,000	-	-	-
Custodian Bank - State Street	60,000	60,600	48,500	66,000	-
Internal Investment Monitoring ⁷	19,500	1,000	1,000	1,000	-
Subtotal	\$ 966,036	\$ 645,568	\$ 823,300	\$ 589,000	\$ 524,060
Capital Improvement Plan	\$ 15,000	\$ 112,000	\$ 142,000	\$ 50,000	\$ -
Total MCERA	\$ 2,322,213	\$ 1,973,581	\$ 2,266,950	\$ 2,089,788	\$ 1,880,425
Total Administrative Expenses (Total ex Technology & Investment)	\$ 1,173,237	\$ 1,042,336	\$ 977,651	\$ 996,730	\$ 953,517
CERL Administrative Cap	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
(Over)/Under Cap	\$ 826,763	\$ 957,664	\$ 1,022,349	\$ 1,003,270	\$ 1,046,483
MCERA Policy Cap	\$ 1,427,087	\$ 1,327,321	\$ 1,281,802	\$ 1,227,301	\$ 1,071,969
Balance	\$ 253,850	\$ 284,985	\$ 304,151	\$ 230,571	\$ 118,452
Basis Points Test	0.21%	0.21%	0.21%	0.21%	0.21%
AAL	\$ 679,565,362	\$ 632,057,539	\$ 610,381,849	\$ 584,428,884	\$ 510,461,279
Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013

¹ Includes \$20,000 in staff overtime for projects in FY 2019.

² \$100,000 for internal risk audit contract in FY 2019.

³ Moved to Office Expense in FY '17.

⁴ Hearings Preparations and Hearings combined in FY 2019.

⁵ Investment Managers paid directly rather than netting fees at the fund level.

⁶ Moved to Investment Manager Fees in FY 2019.

⁷ New in FY 2019: Investment manager monitoring, Consultant RFP, Investment Data.

Mendocino County Employees Retirement Association
Fiscal Year 2018/2019
Proposed Budget vs Prior 4 Year's Actual Expenditures

	FY2018/2019 Proposed Budget	FY2017/2018 Projected Actual	FY2016/2017 Actual Expense	FY2015/2016 Actual Expense	FY2014/2015 Actual Expense
Personnel (BU 1920)					
Gross Regular Salaries ¹	\$ 414,696	\$ 386,930	\$ 337,024	\$ 313,018	\$ 252,119
Extra Help & Overtime	-	-	-	6,766	37,001
Retirement	115,686	102,313	91,096	89,917	61,665
Social Security	23,222	21,533	19,438	18,550	14,657
Medicare	5,731	5,272	4,669	4,437	3,936
Retirement Cola	31,330	30,721	32,713	34,169	22,094
Health Insurance	49,748	59,487	65,674	64,891	59,038
Unemployment Insurance	265	277	353	841	1,627
Workers Comp	305	323	286	2,045	2,219
Subtotal	\$ 640,983	\$ 606,855	\$ 551,253	\$ 534,634	\$ 454,356
Administrative					
Office Expense	\$ 33,420	\$ 37,108	\$ 54,777	\$ 26,581	\$ 26,792
Recruitment	-	-	-	-	39,987
Legal Expense	125,000	92,000	70,320	71,612	107,838
Audit	39,400	41,200	38,500	37,000	37,877
Contracts ²	100,900	3,505	905	6,428	16,564
Staff Education and Training	16,000	10,500	12,142	9,547	8,817
Community Access ³	-	-	-	1,048	2,020
General Insurance ³	-	-	-	-	-
Membership	5,250	5,160	5,095	5,095	4,665
Travel In-County ³	-	-	-	328	299
Subtotal	\$ 319,970	\$ 189,473	\$ 181,739	\$ 157,639	\$ 244,859
Board Expense					
Fiduciary Insurance	\$ 42,000	\$ 41,346	\$ 41,344	\$ 39,385	\$ 39,375
Board Meeting Expense	8,100	5,700	5,600	6,200	7,300
Board Education and Training	28,700	23,000	7,209	10,730	14,662
Subtotal	\$ 78,800	\$ 70,046	\$ 54,153	\$ 56,315	\$ 61,337
Total Personnel, Administrative & Board Expense	\$ 1,039,753	\$ 866,374	\$ 787,145	\$ 748,588	\$ 760,552
Disability					
Administrative Review	\$ 38,000	\$ 40,000	\$ 32,150	\$ 19,955	\$ 18,362
Hearing Preparation	-	5,000	-	-	10,826
Hearings ⁴	42,000	7,500	3,414	-	18,582
Subtotal	\$ 80,000	\$ 52,500	\$ 35,564	\$ 19,955	\$ 47,770
625-B Kings Court					
Imputed Rent	53,484	52,932	52,800	52,272	51,756
Subtotal	\$ 53,484	\$ 52,932	\$ 52,800	\$ 52,272	\$ 51,756
Total Administrative Expense	\$ 1,173,237	\$ 971,806	\$ 875,509	\$ 820,815	\$ 860,078

Mendocino County Employees Retirement Association
Fiscal Year 2018/2019
Proposed Budget vs Prior 4 Year's Actual Expenditures

	FY 2018/2019 Proposed Budget	FY 2017/2018 Projected Actual	FY 2016/2017 Actual Expense	FY 2015/2016 Actual Expense	FY 2014/2015 Actual Expense
Technology					
LRS - PAS Project	\$ 153,940	\$ 140,615	\$ 148,697	\$ 165,571	\$ -
Linea Solutions Consultant	-	-	3,341	133,017	204,996
PAS Project Related Expenses	5,000	1,000	8,025	30,180	33,604
EDMS Project	9,000	17,500	91,862	32,294	-
Subtotal	\$ 167,940	\$ 159,115	\$ 251,925	\$ 361,062	\$ 238,600
Investment					
Investment Manager Fees ⁵	\$ 649,368	\$ 300,000	\$ -	\$ 11,274	\$ 67,150
Mondrian Fees ⁶	-	223,000	208,932	164,611	160,197
Investment Consultant - Callan	150,168	150,000	147,784	145,600	145,600
Actuary Services - Segal	87,000	102,000	157,129	106,394	155,030
Actuarial Audit	-	52,500	-	-	-
Custodian Bank - State Street	60,000	54,000	62,421	22,424	-
Internal Investment Monitoring ⁷	19,500	1,500	-	177	(2,253)
Subtotal	\$ 966,036	\$ 883,000	\$ 576,266	\$ 450,480	\$ 525,725
Capital Improvement Plan	\$ 15,000	\$ 112,000	\$ 141,380	\$ 3,148	\$ -
Total MCERA	\$ 2,322,213	\$ 2,125,921	\$ 1,845,080	\$ 1,635,505	\$ 1,624,403
Total Administrative Expenses (Total ex Technology & Investment)	\$ 1,173,237	\$ 971,806	\$ 875,509	\$ 820,815	\$ 860,078
CERL Administrative Cap	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
(Over)/Under Cap	\$ 826,763	\$ 1,028,194	\$ 1,124,491	\$ 1,179,185	\$ 1,139,922
MCERA Policy Cap	\$ 1,427,087	\$ 1,281,802	\$ 1,281,802	\$ 1,227,301	\$ 1,071,969
Balance	\$ 253,850	\$ 309,996	\$ 406,293	\$ 406,486	\$ 211,891
Basis Points Test	0.21%	0.21%	0.21%	0.21%	0.21%
AAL	\$ 679,565,362	\$ 610,381,849	\$ 610,381,849	\$ 584,428,884	\$ 510,461,279
Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013

¹ Includes \$20,000 in staff overtime for projects in FY 2019.

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