

Date: December 12, 2018
To: Board of Retirement
From: James Wilbanks, Executive Director
Subject: Fiscal Year 2019 Proposed Revised Budget

Attached you will find a Proposed Revised Budget for fiscal year 2019. There are three budget amendments proposed. The first amendment is in the Technology Category, in the LRS/Pension Gold line item. This amendment reflects the Board's decision to add PG Secure to the current suite of Pension Gold services provided by Levi, Ray and Shoup (LRS). PG Secure is included in the MCERA Business Continuity Plan (BCP) as a backup means to process retirement benefits, including checks, in the event a disaster impairs MCERA staff from processing benefits. The amendment amount for PG Secure is \$6,000 annually.

The second amendment is in the Administrative Category, in the Contracts line item. This amendment reflects the Board's decision to utilize the Governance survey from Fund Governance Analytics as a Board Evaluation. The amendment amount for the survey is \$2,500 on a one-time basis. If the Board finds value in the survey, it may continue its use on an annual basis.

The final amendment is in the Administrative Category, in the Office Expense line item. This amendment reflects higher than anticipated costs involved with replacing the Board chairs. The initial Fiscal Year 2019 budget approved by the Board included \$5,000 to replace the chairs. After the Board approved the replacement of the chairs, staff began exploring options and determined that the initial amount budgeted was insufficient. Thus, I am proposing an increase in this category to complete the replacement. The amendment amount is an additional \$5,000 and replacing the Board chairs is a one-time expense.

The Audit & Budget Committee reviewed the proposal and voted to recommend approval to the Board and this items comes before you as a motion from the Committee. I recommend the Board approve the Fiscal Year 2019 Proposed Revised Budget.

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

	FY 2018/2019		FY 2018/2019		Difference	
	Adopted Budget	Proposed Budget Revision (Nov '18)			\$	%
Personnel (BU 1920)						
Gross Regular Salaries ¹	\$ 414,696	\$ 414,696	\$		-	0.00%
Extra Help	-	-			-	0.00%
Retirement	115,686	115,686			-	0.00%
FICA	23,222	23,222			-	0.00%
Medicare	5,731	5,731			-	0.00%
Retirement Cola	31,330	31,330			-	0.00%
Health Insurance	49,748	49,748			-	0.00%
Unemployment Insurance	265	265			-	0.00%
Workers Comp	305	305			-	0.00%
Subtotal	\$ 640,983	\$ 640,983	\$		-	0.00%
Administrative						
Office Expense	\$ 33,420	\$ 38,420			5,000	14.96%
Legal Expense	125,000	125,000			-	0.00%
Audit	39,400	39,400			-	0.00%
Contracts ²	100,900	103,400			2,500	2.48%
Staff Education and Training	16,000	16,000			-	0.00%
Membership	5,250	5,250			-	0.00%
Subtotal	\$ 319,970	\$ 327,470	\$		7,500	2.34%
Board Expense						
Fiduciary Insurance	\$ 42,000	\$ 42,000	\$		-	0.00%
Board Meeting Expense	8,100	8,100			-	0.00%
Board Education and Training	28,700	28,700			-	0.00%
Subtotal	\$ 78,800	\$ 78,800	\$		-	0.00%
Total Personnel, Administrative & Board Expense						
	\$ 1,039,753	\$ 1,047,253	\$		7,500	0.72%
Disability						
Administrative Review	\$ 38,000	\$ 38,000	\$		-	0.00%
Hearing Preparation	-	-			-	0.00%
Hearings ³	42,000	42,000			-	0.00%
Subtotal	\$ 80,000	\$ 80,000	\$		-	0.00%
625-B Kings Court						
Imputed Rent	\$ 53,484	\$ 53,484	\$		-	0.00%
Subtotal	\$ 53,484	\$ 53,484	\$		-	0.00%
Total Administrative Expense						
	\$ 1,173,237	\$ 1,180,737	\$		7,500	0.64%
Technology						
LRS/Pension Gold	\$ 153,940	\$ 159,940	\$		6,000	3.90%
County IT Related Expenses	5,000	5,000			-	0.00%
PCX Scan Station	9,000	9,000			-	0.00%
Subtotal	\$ 167,940	\$ 173,940	\$		6,000	3.57%

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Fiscal Year 2018/2019
Adopted Budget vs Proposed Budget Revision

	FY 2018/2019		FY 2018/2019		Difference	
	Adopted Budget		Proposed Budget Revision (Nov '18)		\$	%
Investment						
Investment Manager Fees ⁴	\$ 649,368		\$ 649,368		\$ -	0.00%
Mondrian Fees ⁵	-		-		-	0.00%
Investment Consultant - Callan	150,168		150,168		-	0.00%
Actuary Services - Segal	87,000		87,000		-	0.00%
Actuarial Audit	-		-		-	0.00%
Custodian Bank - State Street	60,000		60,000		-	0.00%
Internal Investment Monitoring ⁶	19,500		19,500		-	0.00%
Subtotal	\$ 966,036		\$ 966,036		\$ -	0.00%
Capital Improvement Plan	\$ 15,000		\$ 15,000		\$ -	0.00%
Total MCERA	\$ 2,322,213		\$ 2,335,713		\$ 13,500	0.58%
Total Administrative Expenses	\$ 1,173,237		\$ 1,180,737			
(Total ex Technology & Investment)						
CERL Administrative Cap	\$ 2,000,000		\$ 2,000,000			
(Over)/Under Cap	\$ 826,763		\$ 819,263			
MCERA Policy Cap	\$ 1,327,321		\$ 1,427,087			
Balance	\$ 154,084		\$ 246,350			
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.