

Date: March 20, 2019  
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. The proposed budget amendments are in four distinct areas. The first amendment is in the Personnel Category and related to the new contract for the Executive Director that went into effect on January 1, 2019. These changes were not known when the Board approved the budget amendment on December 12, 2019 as the contract had not been approved by the Mendocino County Board of Supervisors at that time.

The second proposed amendment is in the Administrative Category, in the Legal Expense line item. This amendment is recommended in light of increased legal expenses this year. In the second quarter budget update, provided to the Board on February 20, 2019, the legal expenses in the first half of the fiscal year were \$99,097 and the budget proposal is scaled accordingly for the rest of the 2019 fiscal year.

The third proposed amendment is in the Disability Category, in the Hearings line item. We have had more disability cases proceed to hearing this year than in the past. The second quarter budget update showed these expenses in the first half of the fiscal year were \$38,875 and the proposal is to increase the budget for this item in accordance with the expenses in the first half of the year.

The final amendment is in the Technology Category, in the LRS/Pension Gold line item. This amendment reflects additional changes needed in Pension Gold to accomplish key projects on the Board Work Plan.

I recommend the Board move to approve of the Fiscal Year 2019 Proposed Revised Budget as presented.

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

	FY 2018/2019		FY 2018/2019		Difference	
	Adopted Budget Revision (Nov '18)		Proposed Budget Revision (Mar '19)		\$	%
<b>Personnel (BU 1920)</b>						
Gross Regular Salaries <sup>1</sup>	\$ 414,696		\$ 419,888		\$ 5,192	1.25%
Extra Help	-		-		-	0.00%
Retirement	115,686		118,006		2,319	2.00%
FICA	23,222		23,717		495	2.13%
Medicare	5,731		5,847		116	2.02%
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%
<b>Subtotal</b>	<b>\$ 640,983</b>		<b>\$ 649,105</b>		<b>\$ 8,122</b>	<b>1.27%</b>
<b>Administrative</b>						
Office Expense	\$ 38,420		\$ 38,420		\$ -	0.00%
Legal Expense	125,000		200,000		75,000	60.00%
Audit	39,400		39,400		-	0.00%
Contracts <sup>2</sup>	103,400		103,400		-	0.00%
Staff Education and Training	16,000		16,000		-	0.00%
Membership	5,250		5,250		-	0.00%
<b>Subtotal</b>	<b>\$ 327,470</b>		<b>\$ 402,470</b>		<b>\$ 75,000</b>	<b>22.90%</b>
<b>Board Expense</b>						
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%
<b>Subtotal</b>	<b>\$ 78,800</b>		<b>\$ 78,800</b>		<b>\$ -</b>	<b>0.00%</b>
<b>Total Personnel, Administrative &amp; Board Expense</b>						
	<b>\$ 1,047,253</b>		<b>\$ 1,130,375</b>		<b>\$ 83,122</b>	<b>7.94%</b>
<b>Disability</b>						
Administrative Review	\$ 38,000		\$ 38,000		\$ -	0.00%
Hearing Preparation					-	0.00%
Hearings <sup>3</sup>	42,000		80,000		38,000	90.48%
<b>Subtotal</b>	<b>\$ 80,000</b>		<b>\$ 118,000</b>		<b>\$ 38,000</b>	<b>47.50%</b>
<b>625-B Kings Court</b>						
Imputed Rent	\$ 53,484		\$ 53,484		\$ -	0.00%
<b>Subtotal</b>	<b>\$ 53,484</b>		<b>\$ 53,484</b>		<b>\$ -</b>	<b>0.00%</b>
<b>Total Administrative Expense</b>	<b>\$ 1,180,737</b>		<b>\$ 1,301,859</b>		<b>\$ 121,122</b>	<b>10.26%</b>
<b>Technology</b>						
LRS/Pension Gold	\$ 159,940		\$ 176,040		\$ 16,100	10.07%
County IT Related Expenses	5,000		5,000		-	0.00%
PCX Scan Station	9,000		9,000		-	0.00%
<b>Subtotal</b>	<b>\$ 173,940</b>		<b>\$ 190,040</b>		<b>\$ 16,100</b>	<b>9.26%</b>

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<b>Investment</b>							
Investment Manager Fees <sup>4</sup>	\$	649,368	\$	649,368	\$	-	0.00%
Mondrian Fees <sup>5</sup>						-	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 <sup>6</sup>		19,500		19,500		-	0.00%
<b>Subtotal</b>	<b>\$</b>	<b>966,036</b>	<b>\$</b>	<b>966,036</b>	<b>\$</b>	<b>-</b>	<b>0.00%</b>
<b>Capital Improvement Plan</b>	<b>\$</b>	<b>15,000</b>	<b>\$</b>	<b>15,000</b>	<b>\$</b>	<b>-</b>	<b>0.00%</b>
<b>Total MCERA</b>	<b>\$</b>	<b>2,335,713</b>	<b>\$</b>	<b>2,472,935</b>	<b>\$</b>	<b>137,222</b>	<b>5.87%</b>
<b>Total Administrative Expenses</b>	<b>\$</b>	<b>1,180,737</b>	<b>\$</b>	<b>1,301,859</b>			
<b>(Total ex Technology &amp; Investment)</b>							
<b>CERL Administrative Cap</b>	<b>\$</b>	<b>2,000,000</b>	<b>\$</b>	<b>2,000,000</b>			
<b>(Over)/Under Cap</b>	<b>\$</b>	<b>819,263</b>	<b>\$</b>	<b>698,141</b>			
<b>MCERA Policy Cap</b>	<b>\$</b>	<b>1,427,087</b>	<b>\$</b>	<b>1,427,087</b>			
<b>Balance</b>	<b>\$</b>	<b>246,350</b>	<b>\$</b>	<b>125,228</b>			
<b>Basis Points Test</b>		<b>0.21%</b>		<b>0.21%</b>			
<b>AAL</b>	<b>\$</b>	<b>679,565,362</b>	<b>\$</b>	<b>679,565,362</b>			
<b>Date</b>		<b>6/30/2017</b>		<b>6/30/2017</b>			

<sup>1</sup> Includes \$20,000 in staff overtime for projects.

<sup>2</sup> \$100,000 for internal risk audit contract.

<sup>3</sup> Hearings Preparations and Hearings combined in FY 2019.

<sup>4</sup> New Investment Managers paid directly rather than netting fees at the fund level.

<sup>5</sup> Moved to Investment Manager Fees in FY 2019.

<sup>6</sup> New in FY 2019: Investment manager monitoring, Consultant RFP, Investment Data.