

Date: May 13, 2020  
To: Board of Retirement  
From: F. Robert Reveles, Financial/Investment Officer  
Subject: Preliminary Quarterly Budget Update – Q3 FY20

### Introduction

Attached is the budget update report for the quarter and year-to-date ending March 31, 2020. While the major expenses through March 31<sup>st</sup>, 2020 are recorded, please note the figures in the report are preliminary and minor updates may occur as new data is received. The report is divided into five 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. Schedule 3A compares fiscal year projected expenditures to fiscal year budgeted amounts. MCERA's total administrative expenses excluding technology and investment categories for the quarter were above budget while on a year-to-date (YTD) basis total expenses remained below budget. Actual administrative expenses excluding technology and investment categories were more than the comparable periods.

### Schedule 1A & 1B:

Highlights from FY 2019 vs FY 2020 actual expense comparison for the current quarter and YTD are presented below:

- Administrative expenses for the quarter and YTD were above the prior period. Personnel costs for the current quarter were higher than the prior year's quarter due to overtime and bonus pay. For YTD, personnel costs increased overall as a result of the Koff Study pay increases (OT and ED contract) last quarter. Legal costs were higher for the quarter and YTD due to benefit related work plan projects. Legal costs are expected to continue at the raised rate for the rest of the fiscal year. Audit expense differs for the quarter due to the timing of invoices, while on an YTD basis audit expense is just below the previous year. Contract line item has increased due to the search firm retained for the new ED search. Staff Education and Training had been utilized at a greater rate than the previous year, however the recent pandemic has slowed training attendance. Many conferences that had costs before are now being held at reduced cost online.
- Board Expense for the quarter and YTD were lower because new board member education and training events continue to be utilized at a lower rate than prior fiscal year.
- Disability hearing expense decreased from the prior year. Though there have been more administrative review costs, the lack of hearings provided overall savings.
- Payments to LRS continue to be just below FY19 levels. In FY19 the PCX Scan Station yearly support expense was reported in the LRS – Pension Gold expense line.



MCERA

## Preliminary Quarterly Budget Update Continued

---

- Total investment expenses were higher than the prior periods. For the quarter, investment management fees were lower as a result of stock market volatility that began in late February, while year-to-date fees are nearly the same as last year. Consultant fees are above the prior year because of a fee increase starting January 2019. Actuarial fees for the quarter are higher due to timing of invoices but on an YTD basis remain below the prior year.

### Schedule 2A & 2B:

Schedule 2A compares actual expenditures vs budgeted amounts. Highlights from the budget vs actual comparison for the current quarter and YTD are presented below:

- Administrative expenses were above budget for the quarter and below budget YTD. Legal expense has increased because of ongoing projects, and is expected to continue through year-end. Audit expense for the quarter is due to invoice timing. Contracts have increased due to payments to the ED search firm. (The February budget amendment increase of \$60,000 has been split \$20,000 in Q3 and \$40,000 in Q4.) Membership for the quarter and YTD have increased due to vendor price increases.
- Board Expense came in below budget as attendance to training events continues to be lower than expected; Board stipends and related meeting expenses were also lower than budgeted.
- Disability expenses were lower for both administrative review and hearings. There are 4 current disability applications and 2 pending applications.
- Technology expense for the quarter and YTD were below budget estimates. PCX Scan Station expense has increased due to vendor pricing. Actuarial extract updates at LRS have been ongoing.
- Investment expenses were above budget estimates for the quarter and below budget estimates YTD. Investment management fees, estimated at this time, are below budget. In late March the investment portfolio was rebalanced, as falling equity prices and rising fixed-income prices disrupted MCERA's asset allocation. Custodial fees over this quarter have been lower than budgeted, however, due to the late billing of custodial invoices at the beginning of this fiscal year the total fees to the custodian remain above budget. Actuarial services are above budget for the quarter due to timing, while YTD actuarial services are just under budget.

### Conclusion

MCERA's total administrative expenses excluding technology and investment on a quarter basis were above budget estimates and on YTD basis remained below budget estimates. For the quarter and YTD, actuals for the period were higher than the prior year. Total expenses through the end of March are below budget.

Mendocino County Employees Retirement Association				
Fiscal Year 2020 Budget Comparison				
Schedule 1A: Current Year Quarter vs Prior Year Quarter				
	FY 2019	FY 2020		
	Jan-Mar	Jan-Mar	Difference	
	Actual	Actual	\$	%
<b>Administrative</b>				
Personnel	\$ 174,818	\$ 206,917	32,099	18.36%
Office Expense	6,111	3,334	(2,777)	-45.44%
Legal Expense	36,198	110,899	74,701	206.37%
Audit	745	1,629	884	118.66%
Contracts	-	25,261	25,261	100.00%
Staff Education and Training	1,479	2,417	938	63.42%
Membership	1,505	1,770	265	17.61%
Imputed Rent (625-B Kings Court)	13,371	13,371	-	0.00%
<b>Subtotal</b>	<b>\$ 234,227</b>	<b>\$ 365,598</b>	<b>\$ 131,371</b>	<b>56.09%</b>
<b>Board Expense</b>				
Fiduciary Insurance	\$ (18)	\$ (28)	(10)	55.56%
Board Meeting Stipends	1,300	1,200	(100)	-7.69%
Board Education and Training	2,236	231	(2,005)	-89.67%
<b>Subtotal</b>	<b>\$ 3,518</b>	<b>\$ 1,403</b>	<b>\$ (2,115)</b>	<b>-60.12%</b>
<b>Total Administrative &amp; Board Expense</b>	<b>\$ 237,745</b>	<b>\$ 367,001</b>	<b>\$ 129,256</b>	<b>54.37%</b>
<b>Disability</b>				
Administrative Review	\$ 12,030	\$ 15,718	\$ 3,688	30.66%
Hearings <sup>1</sup>	13,344	552	(12,792)	-95.86%
<b>Subtotal</b>	<b>\$ 25,374</b>	<b>\$ 16,270</b>	<b>\$ (9,104)</b>	<b>-35.88%</b>
<b>Total Administrative, Board, and Disability Expense</b>	<b>\$ 263,119</b>	<b>\$ 383,271</b>	<b>\$ 120,152</b>	<b>45.66%</b>
<b>Technology</b>				
LRS - Pension Gold	\$ 9,911	\$ 1,800	\$ (8,111)	-81.84%
County IT Project Expenses	-	-	-	0.00%
PCX Scan Station	-	5,843	5,843	100.00%
<b>Subtotal</b>	<b>\$ 9,911</b>	<b>\$ 7,643</b>	<b>\$ (2,268)</b>	<b>-22.88%</b>
<b>Investment</b>				
Investment Manager Fees <sup>2</sup>	\$ 130,667	\$ 120,633	(10,034)	-7.68%
Investment Consultant - Callan	43,750	43,750	-	0.00%
Custodian Bank - State Street	8,970	13,330	4,360	48.61%
Actuary Services - Segal	11,201	85,713	74,512	665.23%
Investment Monitoring <sup>3</sup>	-	-	-	0.00%
<b>Subtotal</b>	<b>\$ 194,588</b>	<b>\$ 263,426</b>	<b>\$ 68,838</b>	<b>35.38%</b>
<b>Property Maintenance Plan</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>
<b>Total MCERA Expenses</b>	<b>\$ 467,618</b>	<b>\$ 654,340</b>	<b>\$ 186,722</b>	<b>39.93%</b>
<b>Total Administrative Expenses</b>	<b>\$ 263,119</b>	<b>\$ 383,271</b>	<b>\$ 120,152</b>	<b>45.66%</b>
<b>(Total ex Technology &amp; Investment)</b>				
<sup>1</sup> All Hearing related expenses including any hearing preparations.				
<sup>2</sup> Investment fees paid directly to managers.				
<sup>3</sup> Investment manager monitoring, consultant RFP due diligence, investment data.				

Mendocino County Employees Retirement Association				
Fiscal Year 2020 Budget Comparison				
Schedule 1B: Current Year To Date vs Prior Year To Date				
	FY 2019	FY 2020		
	Jul-Mar	Jul-Mar	Difference	
	Actual	Actual	\$	%
<b>Administrative</b>				
Personnel	\$ 443,872	\$ 499,848	55,976	12.61%
Office Expense	15,349	14,852	(497)	-3.24%
Legal Expense	135,295	193,750	58,455	43.21%
Audit	38,968	37,951	(1,017)	-2.61%
Contracts	2,500	25,261	22,761	910.44%
Staff Education and Training	3,139	6,591	3,452	109.97%
Membership	5,665	5,770	105	1.85%
Imputed Rent (625-B Kings Court)	40,113	40,113	-	0.00%
<b>Subtotal</b>	<b>\$ 684,901</b>	<b>\$ 824,136</b>	<b>\$ 139,235</b>	<b>20.33%</b>
<b>Board Expense</b>				
Fiduciary Insurance	\$ 41,188	\$ 41,214	26	0.06%
Board Meeting Stipends	4,600	2,500	(2,100)	-45.65%
Board Education and Training	8,398	4,486	(3,912)	-46.58%
<b>Subtotal</b>	<b>\$ 54,186</b>	<b>\$ 48,200</b>	<b>\$ (5,986)</b>	<b>-11.05%</b>
<b>Total Administrative &amp; Board Expense</b>	<b>\$ 739,087</b>	<b>\$ 872,336</b>	<b>\$ 133,249</b>	<b>18.03%</b>
<b>Disability</b>				
Administrative Review	\$ 12,030	\$ 18,868	\$ 6,838	56.84%
Hearings <sup>1</sup>	52,219	3,757	(48,462)	-92.81%
<b>Subtotal</b>	<b>\$ 64,249</b>	<b>\$ 22,625</b>	<b>\$ (41,624)</b>	<b>-64.79%</b>
<b>Total Administrative, Board, and Disability Expense</b>	<b>\$ 803,336</b>	<b>\$ 894,961</b>	<b>\$ 91,625</b>	<b>11.41%</b>
<b>Technology</b>				
LRS - Pension Gold	\$ 166,351	\$ 152,699	\$ (13,652)	-8.21%
County IT Project Expenses	2,712	1,981	(731)	-26.95%
PCX Scan Station	-	5,843	5,843	100.00%
<b>Subtotal</b>	<b>\$ 169,063</b>	<b>\$ 160,523</b>	<b>\$ (8,540)</b>	<b>-5.05%</b>
<b>Investment</b>				
Investment Manager Fees <sup>2</sup>	\$ 400,113	\$ 397,471	(2,642)	-0.66%
Investment Consultant - Callan	120,984	131,250	10,266	8.49%
Custodian Bank - State Street	31,393	54,795	23,402	74.55%
Actuary Services - Segal	123,778	102,944	(20,834)	-16.83%
Investment Monitoring <sup>3</sup>	-	-	-	0.00%
<b>Subtotal</b>	<b>\$ 676,268</b>	<b>\$ 686,460</b>	<b>\$ 10,192</b>	<b>1.51%</b>
<b>Property Maintenance Plan</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>
<b>Total MCERA Expenses</b>	<b>\$ 1,648,667</b>	<b>\$ 1,741,944</b>	<b>\$ 93,277</b>	<b>5.66%</b>
<b>Total Administrative Expenses</b>	<b>\$ 803,336</b>	<b>\$ 894,961</b>	<b>\$ 91,625</b>	<b>11.41%</b>
<b>(Total ex Technology &amp; Investment)</b>				
<sup>1</sup> All Hearing related expenses including any hearing preparations.				
<sup>2</sup> Investment fees paid directly to managers.				
<sup>3</sup> Investment manager monitoring, consultant RFP due diligence, investment data.				

Mendocino County Employees Retirement Association				
Fiscal Year 2020 Budget Comparison				
Schedule 2A: Current Year Quarter vs Current Quarter Budget				
	FY 2020	FY 2020		
	Jan-Mar	Jan-Mar	Difference	
	Budget	Actual	\$	%
<b>Administrative</b>				
Personnel	\$ 198,186	\$ 206,917	8,731	4.41%
Office Expense	6,630	3,334	(3,296)	-49.71%
Legal Expense	52,500	110,899	58,399	111.24%
Audit	-	1,629	1,629	100.00%
Contracts	20,000	25,261	5,261	26.31%
Staff Education and Training	3,903	2,417	(1,486)	-38.07%
Membership	935	1,770	835	89.30%
Imputed Rent (625-B Kings Court)	13,772	13,371	(401)	-2.91%
<b>Subtotal</b>	<b>\$ 295,926</b>	<b>\$ 365,598</b>	<b>\$ 69,672</b>	<b>23.54%</b>
<b>Board Expense</b>				
Fiduciary Insurance	\$ -	\$ (28)	(28)	-100.00%
Board Meeting Stipends	1,650	1,200	(450)	-27.27%
Board Education and Training	8,320	231	(8,089)	-97.22%
<b>Subtotal</b>	<b>\$ 9,970</b>	<b>\$ 1,403</b>	<b>\$ (8,567)</b>	<b>-85.93%</b>
<b>Total Administrative &amp; Board Expense</b>	<b>\$ 305,896</b>	<b>\$ 367,001</b>	<b>\$ 61,105</b>	<b>19.98%</b>
<b>Disability</b>				
Administrative Review	\$ 10,000	\$ 15,718	\$ 5,718	57.18%
Hearings <sup>1</sup>	20,000	552	(19,448)	-97.24%
<b>Subtotal</b>	<b>\$ 30,000</b>	<b>\$ 16,270</b>	<b>\$ (13,730)</b>	<b>-45.77%</b>
<b>Total Administrative, Board, and Disability Expense</b>	<b>\$ 335,896</b>	<b>\$ 383,271</b>	<b>\$ 47,375</b>	<b>14.10%</b>
<b>Technology</b>				
LRS - Pension Gold	\$ 3,500	\$ 1,800	\$ (1,700)	-48.57%
County IT Project Expenses	1,250	-	(1,250)	-100.00%
PCX Scan Station	5,500	5,843	343	6.24%
<b>Subtotal</b>	<b>\$ 10,250</b>	<b>\$ 7,643</b>	<b>\$ (2,607)</b>	<b>-25.43%</b>
<b>Investment</b>				
Investment Manager Fees <sup>2</sup>	\$ 180,000	\$ 120,633	(59,367)	-32.98%
Investment Consultant - Callan	43,750	43,750	-	0.00%
Custodian Bank - State Street	15,000	13,330	(1,670)	-11.13%
Actuary Services - Segal	11,500	85,713	74,213	645.33%
Investment Monitoring <sup>3</sup>	9,000	-	(9,000)	-100.00%
<b>Subtotal</b>	<b>\$ 259,250</b>	<b>\$ 263,426</b>	<b>\$ 4,176</b>	<b>1.61%</b>
<b>Property Maintenance Plan</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>
<b>Total MCERA Expenses</b>	<b>\$ 605,396</b>	<b>\$ 654,340</b>	<b>\$ 48,944</b>	<b>8.08%</b>
<b>Total Administrative Expenses (Total ex Technology &amp; Investment)</b>	<b>\$ 335,896</b>	<b>\$ 383,271</b>	<b>\$ 47,375</b>	<b>14.10%</b>
<sup>1</sup> All Hearing related expenses including any hearing preparations.				
<sup>2</sup> Investment fees paid directly to managers.				
<sup>3</sup> Investment manager monitoring, consultant RFP due diligence, investment data.				

Mendocino County Employees Retirement Association				
Fiscal Year 2020 Budget Comparison				
Schedule 2B: Current Year To Date vs Current Budget Year To Date				
	FY 2020	FY 2020		
	Jul-Mar	Jul-Mar	Difference	
	Budget	Actual	\$	%
<b>Administrative</b>				
Personnel	\$ 526,627	\$ 499,848	(26,779)	-5.09%
Office Expense	21,314	14,852	(6,462)	-30.32%
Legal Expense	157,500	193,750	36,250	23.02%
Audit	40,000	37,951	(2,049)	-5.12%
Contracts	22,500	25,261	2,761	12.27%
Staff Education and Training	11,461	6,591	(4,870)	-42.49%
Membership	5,095	5,770	675	13.25%
Imputed Rent (625-B Kings Court)	41,317	40,113	(1,204)	-2.91%
<b>Subtotal</b>	<b>\$ 825,814</b>	<b>\$ 824,136</b>	<b>\$ (1,678)</b>	<b>-0.20%</b>
<b>Board Expense</b>				
Fiduciary Insurance	\$ 45,000	\$ 41,214	(3,786)	-8.41%
Board Meeting Stipends	6,150	2,500	(3,650)	-59.35%
Board Education and Training	21,895	4,486	(17,409)	-79.51%
<b>Subtotal</b>	<b>\$ 73,045</b>	<b>\$ 48,200</b>	<b>\$ (24,845)</b>	<b>-34.01%</b>
<b>Total Administrative &amp; Board Expense</b>	<b>\$ 898,859</b>	<b>\$ 872,336</b>	<b>\$ (26,523)</b>	<b>-2.95%</b>
<b>Disability</b>				
Administrative Review	\$ 30,000	\$ 18,868	(11,132)	-37.11%
Hearings <sup>1</sup>	60,000	3,757	(56,243)	-93.74%
<b>Subtotal</b>	<b>\$ 90,000</b>	<b>\$ 22,625</b>	<b>\$ (67,375)</b>	<b>-74.86%</b>
<b>Total Administrative, Board, and Disability Expense</b>	<b>\$ 988,859</b>	<b>\$ 894,961</b>	<b>\$ (93,898)</b>	<b>-9.50%</b>
<b>Technology</b>				
LRS - Pension Gold	\$ 156,440	\$ 152,699	(3,741)	-2.39%
County IT Project Expenses	3,750	1,981	(1,769)	-47.17%
PCX Scan Station	5,500	5,843	343	6.24%
<b>Subtotal</b>	<b>\$ 165,690</b>	<b>\$ 160,523</b>	<b>\$ (5,167)</b>	<b>-3.12%</b>
<b>Investment</b>				
Investment Manager Fees <sup>2</sup>	\$ 540,000	\$ 397,471	(142,529)	-26.39%
Investment Consultant - Callan	131,250	131,250	-	0.00%
Custodian Bank - State Street	45,000	54,795	9,795	21.77%
Actuary Services - Segal	103,500	102,944	(556)	-0.54%
Investment Monitoring <sup>3</sup>	10,500	-	(10,500)	-100.00%
<b>Subtotal</b>	<b>\$ 830,250</b>	<b>\$ 686,460</b>	<b>\$ (143,790)</b>	<b>-17.32%</b>
<b>Property Maintenance Plan</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>
<b>Total MCERA Expenses</b>	<b>\$ 1,984,799</b>	<b>\$ 1,741,944</b>	<b>\$ (242,855)</b>	<b>-12.24%</b>
<b>Total Administrative Expenses</b>	<b>\$ 988,859</b>	<b>\$ 894,961</b>	<b>\$ (93,898)</b>	<b>-9.50%</b>
<b>(Total ex Technology &amp; Investment)</b>				
<sup>1</sup> All Hearing related expenses including any hearing preparations.				
<sup>2</sup> Investment fees paid directly to managers.				
<sup>3</sup> Investment manager monitoring, consultant RFP due diligence, investment data.				

Mendocino County Employees Retirement Association				
Fiscal Year 2020 Budget Comparison				
Schedule 3A: Current Year End Budget vs Current Year End Projection				
	FY 2020	FY 2020		
	Jul-Jun	Jul-Jun	Difference	
	Budget	Projection	\$	%
<b>Administrative</b>				
Personnel	\$ 695,314	\$ 668,535	(26,779)	-3.85%
Office Expense	28,266	21,804	(6,462)	-22.86%
Legal Expense	250,000	286,250	36,250	14.50%
Audit	40,000	37,951	(2,049)	-5.12%
Contracts	73,500	76,261	2,761	3.76%
Staff Education and Training	16,800	11,930	(4,870)	-28.99%
Membership	5,500	6,175	675	12.27%
Imputed Rent (625-B Kings Court)	55,089	53,885	(1,204)	-2.19%
<b>Subtotal</b>	<b>\$ 1,164,469</b>	<b>\$ 1,162,791</b>	<b>\$ (1,678)</b>	<b>-0.14%</b>
<b>Board Expense</b>				
Fiduciary Insurance	\$ 45,000	\$ 41,214	(3,786)	-8.41%
Board Meeting Stipends	8,100	4,450	(3,650)	-45.06%
Board Education and Training	26,070	8,661	(17,409)	-66.78%
<b>Subtotal</b>	<b>\$ 79,170</b>	<b>\$ 54,325</b>	<b>\$ (24,845)</b>	<b>-31.38%</b>
<b>Total Administrative &amp; Board Expense</b>	<b>\$ 1,243,639</b>	<b>\$ 1,217,116</b>	<b>\$ (26,523)</b>	<b>-2.13%</b>
<b>Disability</b>				
Administrative Review	\$ 40,000	\$ 28,868	(11,132)	-27.83%
Hearings <sup>1</sup>	80,000	23,757	(56,243)	-70.30%
<b>Subtotal</b>	<b>\$ 120,000</b>	<b>\$ 52,625</b>	<b>\$ (67,375)</b>	<b>-56.15%</b>
<b>Total Administrative, Board, and Disability Expense</b>	<b>\$ 1,363,639</b>	<b>\$ 1,269,741</b>	<b>\$ (93,898)</b>	<b>-6.89%</b>
<b>Technology</b>				
LRS - Pension Gold	\$ 159,940	\$ 156,199	(3,741)	-2.34%
County IT Project Expenses	5,000	3,231	(1,769)	-35.38%
PCX Scan Station	9,000	9,343	343	3.81%
<b>Subtotal</b>	<b>\$ 173,940</b>	<b>\$ 168,773</b>	<b>\$ (5,167)</b>	<b>-2.97%</b>
<b>Investment</b>				
Investment Manager Fees <sup>2</sup>	\$ 720,000	\$ 577,471	(142,529)	-19.80%
Investment Consultant - Callan	175,000	175,000	-	0.00%
Custodian Bank - State Street	60,000	69,795	9,795	16.33%
Actuary Services - Segal	120,000	119,444	(556)	-0.46%
Investment Monitoring <sup>3</sup>	11,550	1,050	(10,500)	-90.91%
<b>Subtotal</b>	<b>\$ 1,086,550</b>	<b>\$ 942,760</b>	<b>\$ (143,790)</b>	<b>-13.23%</b>
<b>Property Maintenance Plan</b>	25,000	25,000	\$ -	<b>0.00%</b>
<b>Total MCERA Expenses</b>	<b>\$ 2,649,129</b>	<b>\$ 2,406,274</b>	<b>\$ (242,855)</b>	<b>-9.17%</b>
<b>Total Administrative Expenses</b>	<b>\$ 1,363,639</b>	<b>\$ 1,269,741</b>	<b>\$ (93,898)</b>	<b>-6.89%</b>
<b>(Total ex Technology &amp; Investment)</b>				
<sup>1</sup> All Hearing related expenses including any hearing preparations.				
<sup>2</sup> Investment fees paid directly to managers.				
<sup>3</sup> Investment manager monitoring, consultant RFP due diligence, investment data.				