

Date: January 17, 2024
To: Board of Retirement
From: Doris L. Rentschler, Executive Director
Subject: Fiscal Year 2024 Budget Amendment

Recommended Action:

I recommend the Board move to approve of the budget amendment as presented.

Fiscal and Financial Impacts:

Increase the budget allocations by the following amounts: consulting contracts \$36,000, technology \$10,000, and legal \$38,000. For a total increase in budget allocations of \$84,000.

Strategic Plan Importance:

The proposed budget amendments for consulting services and technology directly support the objectives in the Strategic Plan listed below.

- **Goal 2 Strengthen risk oversight.** Objective A – Complete discussion of the feasibility and benefits of an internal audit function.
- **Goal 3 Improve effectiveness and efficiency through people, processes, and technology.** Objective B – Align technology advancements to evolving business needs.
- **Goal 4 Develop MCERA’s reputation as a retirement benefits expert.** Objective B – Assess current usage of MCERA education, communications, and services to understand preferences, and develop baselines and appropriate targets.

Background and Discussion:

CONSULTING CONTRACTS: The adopted budget includes an allocation of \$27,908 for consulting contracts, primarily intended for an internal audit assessment. MCERA is contracting with Audit & Risk Management Services for an entity-wide risk assessment. The requested budget increase of \$36,000, a 129% increase over the amount included in the adopted budget, is needed to cover part of the phase one Brokaw contract and the contract with Probolsky Research for a member survey to assess the use of MCERA education and communications.

Faster than expected process was made in identifying a consulting firm to conduct a survey of membership to establish baseline metrics and this project was advanced in this fiscal year.

TECHNOLOGY: The adopted budget includes an allocation of \$232,241, of which \$196,535 was allocated for purchase and support of PensionGold. The budget amendment of \$10,000, represents a 4.3% increase in the technology allocation, and is due to billable PG workorders, including general ledger corrections and implementation of separate accounts.

LEGAL: The adopted budget includes a total allocation of \$187,500 for legal counsel, with the following allocation: Disability counsel \$30,000, Board counsel \$43,500, Fiduciary counsel \$72,000, and Tax counsel \$42,000. The proposed increase of \$38,000 is due to higher-than-expected expenditures for Board counsel. Based on fiscal year-to-date (5 months) expenses, the projected annualized expenses for Board counsel are estimated at \$112,000. The requested budget amendment will increase the Board counsel allocation to \$81,500, which when combined with funds allocated to Disability counsel (which are not anticipated to be used this fiscal year) will provide the necessary funding to cover the anticipated legal expenses in fiscal year 2024.

ADMINISTRATIVE BUDGET IMPACT

Because the Contracts and Legal amendments are in the Administrative Budget, the additional allocations count toward the CERL and MCERA Administrative Budget Limits. Technology expense is excluded from the Administrative Budget. With the amendment, the Administrative Budget remains \$290,536 below the statutory limit of \$2 million, and \$120,877 less than the limit specified by the Board budget policy of 0.21% of the plan's Actuarial Accrued Liability.

Attachment(s):

1. FY 2024 Q3 Budget Amendment Report

Mendocino County Employees Retirement Association

Fiscal Year 2024

Proposed Budget vs Prior Year Amended Budget

	FY 2023		FY 2024		FY 2024		Difference	
	Amended Budget		Adopted		Proposed Budget		\$	%
	Revised (May 2023)		Budget		Amendment (Jan 2024)			
Personnel (BU 1920)								
Gross Regular Salaries ¹	\$ 539,819	\$	579,407	\$	579,407	\$	-	0.00%
Extra Help	-		-		-		-	0.00%
Retirement	191,030		169,501		169,501		-	0.00%
FICA	30,580		32,592		32,592		-	0.00%
Medicare	7,552		7,937		7,937		-	0.00%
Retirement Cola	12,197		38,903		38,903		-	0.00%
Health Insurance	73,809		93,512		93,512		-	0.00%
Unemployment Insurance	267		-		-		-	0.00%
Workers Comp	389		322		322		-	0.00%
Subtotal	\$ 855,644	\$	922,174	\$	922,174	\$	-	0.00%
Administrative								
Office Expense	\$ 27,987	\$	46,989	\$	46,989	\$	-	0.00%
Legal Expense	258,000		187,500		225,500		38,000	20.27%
Audit	41,200		50,500		50,500		-	0.00%
Contracts	100,910		27,908		63,908		36,000	128.99%
Consulting - Actuary	152,840		68,341		68,341		-	0.00%
Staff Education and Training	16,463		22,502		22,502		-	0.00%
Membership	6,170		6,170		6,170		-	0.00%
Subtotal	\$ 603,570	\$	409,910	\$	483,910	\$	74,000	18.05%
Board Expense								
Fiduciary Insurance	\$ 70,105	\$	77,116	\$	77,116	\$	-	0.00%
Board Meeting Expense	7,900		8,100		8,100		-	0.00%
Board Education and Training	39,166		40,109		40,109		-	0.00%
Subtotal	\$ 117,171	\$	125,324	\$	125,324	\$	-	0.00%
Total Personnel, Administrative & Board Expense	\$ 1,576,385	\$	1,457,409	\$	1,531,409	\$	74,000	5.08%
Disability								
Administrative Review	\$ 40,000	\$	40,000	\$	40,000	\$	-	0.00%
Hearings	80,000		80,000		80,000		-	0.00%
Subtotal	\$ 120,000	\$	120,000	\$	120,000	\$	-	0.00%
625-B Kings Court								
Imputed Rent	\$ 56,339	\$	58,055	\$	58,055	\$	-	0.00%
Subtotal	\$ 56,339	\$	58,055	\$	58,055	\$	-	0.00%
Total Administration Expense	\$ 1,752,723	\$	1,635,464	\$	1,709,464	\$	74,000	4.52%
Technology								
LRS - Pension Gold	\$ 190,289	\$	196,535	\$	206,535	\$	10,000	5.09%
County IT Project Expenses	16,131		25,035		25,035		-	0.00%
PCX Scan Station	10,361		10,671		10,671		-	0.00%
Subtotal	\$ 216,780	\$	232,241	\$	242,241	\$	10,000	4.31%
Investment								
Investment Manager Fees	\$ 1,138,365	\$	1,315,657	\$	1,315,657	\$	-	0.00%
Investment Consultant - Callan	186,158		190,812		190,812		-	0.00%
Actuary Services - Valuation	72,000		75,000		75,000		-	0.00%
Custodian Bank - State Street	70,800		70,200		70,200		-	0.00%
Internal Investment Monitoring	11,500		18,100		18,100		-	0.00%
Subtotal	\$ 1,478,822	\$	1,669,769	\$	1,669,769	\$	-	0.00%
Capital Improvement Plan	\$ 25,000	\$	292,690	\$	292,690	\$	-	0.00%
Total MCERA	\$ 3,473,326	\$	3,830,164	\$	3,914,164	\$	84,000	2.19%
Total Administrative Expenses	\$ 1,752,723	\$	1,635,464	\$	1,709,464			
(Total ex Technology & Investment)								
CERL Administrative Budget Limit	\$ 2,000,000	\$	2,000,000	\$	2,000,000			
(Over)/Under CERL Limit	\$ 247,277	\$	364,536	\$	290,536			
MCERA Policy Administrative Budget Limit	\$ 1,721,965	\$	1,830,341	\$	1,830,341			
(Over)/Under Policy Limit	\$ (30,758)	\$	194,877	\$	120,877			
Basis Points Test	0.21%		0.21%		0.21%			
AAL	\$ 819,983,481	\$	871,590,734	\$	871,590,734			
Date	6/30/2021		6/30/2022		6/30/2022			

¹ Includes 100 Hours in Benefits staff overtime for projects.