

**CalPERS FY 2012-13 Second Quarter
Budget and Expenditure Report
For the six months ending December 31, 2012**

1.0 Budget Summary (in thousands)

1.1 Current Year 2012-13

	FY 2012-13 Expenditures as of 12-31-12	FY 2012-13 Total Budget	% Budget Expended	Total Remaining Budget
Administrative Budget	\$156,975	\$357,590	43.9%	\$200,615
Enterprise Projects Budget ¹	30,815	43,570	70.7%	12,755
Headquarters Building Account Budget	11,477	41,811	27.4%	30,334
TOTAL	\$199,267	\$442,971	45.0%	\$243,704

1.2 Previous Year Comparison

	FY 2012-13 Expenditures as of 12-31-12	FY 2011-12 Expenditures as of 12-31-11	\$ (Over)/ Under	% (Over)/ Under
Administrative Budget	\$156,975	\$147,859	(\$9,116)	(5.8) %
Enterprise Projects Budget ²	30,815	11,313	(19,502)	(63.3) %
Headquarters Building Account Budget	11,477	10,381	(1,096)	(9.5) %
TOTAL	\$199,267	\$169,553	(\$29,714)	(14.9) %

1.3 Summary

1. Percent of budget expended is high due to the PSR project Accenture contract
2. Accenture expenditures higher compared to last year at the same point in time

2.0 Administrative Budget - By Category (in thousands)

2.1 Current Year 2012-13

	FY 2012-13 Expenditures as of 12-31-12	FY 2012-13 Total Budget	% Budget Expended	Total Remaining Budget
Salaries & Wages (Personal Services)	\$110,258	\$239,589	46.0%	\$129,331
Travel	572	2,927	19.5%	2,355
Consultant Services ¹	8,807	34,225	25.7%	25,418
Equipment	3,380	6,700	50.4%	3,320
Data Processing Services ²	10,579	15,006	70.5%	4,427
Other General Expenses	23,379	59,143	39.5%	35,764
TOTALS	\$156,975	\$357,590	43.9%	\$200,615

2.2 Previous Year Comparison

	FY 2012-13 Expenditures as of 12-31-12	FY 2011-12 Expenditures as of 12-31-11	\$ (Over)/ Under	% (Over)/ Under
Salaries & Wages (Personal Services)	\$110,258	\$107,438	(\$2,820)	(2.6) %
Travel	572	479	(93)	(19.4) %
Consultant Services ³	8,807	6,620	(2,187)	(33.0) %
Equipment	3,380	2,989	(391)	(13.1) %
Data Processing Services	10,579	10,155	(424)	(4.2) %
Other General Expenses	23,379	20,178	(3,201)	(15.9) %
TOTALS	\$156,975	\$147,859	(\$9,116)	(5.8) %

2.3 Summary

1. ITSB expenditures low compared to the budget, plans to be spent later in the fiscal year
2. Due to ITSB maintenance renewals being paid at the beginning of the fiscal year
3. Current year Consultant Services expenditures higher due to the PeopleSoft Human Capital Management Project, FINO Initiative, and CASD-RAS charging postage in the Consultant Services line which will be corrected

3.0 Administrative Budget - By Program Area (in thousands)

3.1 Current Year 2012-13

	FY 2012-13 Expenditures as of 12-31-12	FY 2012-13 Total Budget	% Budget Expended	Total Remaining Budget
Actuarial Office	\$2,618	\$6,007	43.6%	\$3,389
Benefit Programs Policy & Planning	7,015	19,033	36.9%	12,018
Customer Services and Support	39,561	79,530	49.7%	39,969
Executive Office	1,336	5,967	22.4%	4,631
Financial Office	17,181	37,104	46.3%	19,923
General Counsel	8,586	15,405	55.7%	6,819
Investment Office	18,854	51,458	36.6%	32,604
Office of External Affairs	4,893	11,327	43.2%	6,434
Operations and Technology	14,335	32,742	43.8%	18,407
Information Technology	42,596	77,623	54.9%	35,027
Unallocated	-	21,394	0.0%	21,394
TOTALS	\$156,975	\$357,590	43.9%	\$200,615

3.2 Previous Year Comparison

	FY 2012-13 Expenditures as of 12-31-12	FY 2011-12 Expenditures as of 12-31-11	\$ (Over)/ Under	% (Over)/ Under
Actuarial Office	\$2,618	\$2,826	\$208	7.9 %
Benefit Programs Policy & Planning ¹	7,015	8,624	1,609	22.9 %
Customer Services and Support ²	39,561	35,344	(4,217)	(10.7) %
Executive Office	1,336	1,270	(66)	(4.9) %
Financial Office	17,181	15,919	(1,262)	(7.3) %
General Counsel	8,586	7,437	(1,149)	(13.4) %
Investment Office	18,854	17,895	(959)	(5.1) %
Office of External Affairs	4,893	5,856	963	19.7 %
Operations and Technology	14,335	13,375	(960)	(6.7) %
Information Technology ³	42,596	39,313	(3,283)	(7.7) %
TOTALS	\$156,975	\$147,859	(\$9,116)	(5.8) %

3.3 Summary

1. Expenditures higher due to the Health Benefits Purchasing and Review Project
2. In the process of reversing payroll from CASD-RAS to projects
3. Due to software and hardware support and materials, expenditures are higher

4.0 Enterprise Projects Budget - By Category (in thousands)

4.1 Current Year 2012-13

	FY 2012-13 Expenditures as of 12-31-12	FY 2012-13 Total Budget	% Budget Expended	Total Remaining Budget
Enterprise Transition Management	\$864	\$1,795	48.1%	\$931
Pension System Resumption ¹	26,316	34,715	75.8%	8,399
Financial Services Integration Project	-	-	N/A	N/A
Legacy Support - Projects ²	1,482	2,015	73.5%	533
Contact Center Upgrade	7	509	1.4%	502
My CalPERS CSOD	1,065	1,806	59.0%	741
My CalPERS BNSD	655	1,700	38.5%	1,045
My CalPERS CASD	426	1,030	41.4%	604
TOTAL	\$30,815	\$43,570	70.7%	\$12,755

4.2 Previous Year Comparison

	FY 2012-13 Expenditures as of 12-31-12	FY 2011-12 Expenditures as of 12-31-11	\$ (Over)/ Under	% (Over)/ Under
Enterprise Transition Management	\$864	\$1,065	\$201	23.3 %
Pension System Resumption ³	26,316	9,284	(17,032)	(64.7) %
Financial Services Integration Project	-	964	N/A	N/A
Legacy Support - Projects	1,482	-	N/A	N/A
Contact Center Upgrade	7	-	N/A	N/A
My CalPERS CSOD	1,065	-	N/A	N/A
My CalPERS BNSD	655	-	N/A	N/A
My CalPERS CASD	426	-	N/A	N/A
TOTAL	\$30,815	\$11,312	(\$16,831)	(63.3) %

4.3 Summary

1. Percent of budget expended is high due to PSR
2. This upgrade project had larger expenses early in the fiscal year as anticipated. Spend rate will be significantly reduced for the remainder of the fiscal year
3. PSR expenditures higher compared to last year at the same point in time

5.0 Headquarters Building Account - By Category (in thousands)

5.1 Current Year 2012-13

	FY 2012-13 Expenditures as of 12-31-12	FY 2012-13 Total Budget	% Budget Expended	Total Remaining Budget
LPBA Operating Expenses	\$6,379	\$15,399	41.4%	\$9,020
Non-LPBA Operating Expenses	720	1,663	43.3%	943
Total Operating Expenses	7099	17062	41.6%	9963
Owner Improvements	1,727	6,826	25.3%	5,099
Building Improvements ¹	1,663	10,263	16.2%	8,600
Total Non-Operating Expenses	3390	17089	19.8%	13699
Other Expenditures ²	988	7,660	12.9%	6,672
TOTAL	\$11,477	\$41,811	27.4%	\$30,334

5.2 Previous Year Comparison

	FY 2012-13 Expenditures as of 12-31-12	FY 2011-12 Expenditures as of 12-31-11	\$ (Over)/ Under	% (Over)/ Under
LPBA Operating Expenses	\$6,379	\$6,872	\$493	7.7 %
Non-LPBA Operating Expenses	720	663	(57)	(7.9) %
Total Operating Expenses	7,099	7,535	436	6.1 %
Owner Improvements	1,727	1,293	(434)	(25.1) %
Building Improvements ³	1,663	423	(1,240)	(74.6) %
Total Non-Operating Expenses	3,390	1,716	(1,674)	(49.4) %
Other Expenses	988	1,129	141	14.3 %
TOTAL	\$11,477	\$10,381	(\$1,097)	(9.5) %

5.3 Summary

1. Includes funds that were budgeted for the Housing and Community Development (HCD) lease renewal & tenant improvements at 1800 3rd Street, but HCD has given notice & will vacate the building.
2. Changes to the Master Space Plan schedule have led to timing delays for furniture and fixture orders. These orders will be placed in the remaining two quarters.
3. Expenditures are higher due to the Lincoln Plaza North power enhancement project.

6.0 Headquarters Building Account: Budget/Income/Exp. Summary (in thousands)

6.1 Current Year 2012-13

	FY 2012-13 Expenditures as of 12-31-12	FY 2012-13 Total Budget	% Budget Expended	Total Remaining Budget
<u>Rental Income</u>				
CalPERS	\$2,276	\$4,624	49.2%	\$2,348
Child Care Center	9	18	50.0%	9
Golden One ATM ¹	4	4	100.0%	-
Total Rental Income	2,289	4,645	49.3%	2,356
<u>Other Income</u>				
Parking Income	795	1,740	45.7%	945
Facility Income	7	11	63.6%	4
Interest Income	2	5	40.0%	3
Miscellaneous Income	1	0	333.3%	(1)
Total Other Income	805	1,756	45.8%	951
Transfer from PERF	13,752	35,409	38.8%	21,657
Total Gross Income	16,847	41,811	40.3%	24,964
Total Expenditures	12,231	41,811	29.3%	29,580
Due to/(from) PERF	\$4,616	\$0	N/A	N/A

6.2 Previous Year Comparison

	FY 2012-13 Expenditures as of 12-31-12	FY 2011-12 Expenditures as of 12-31-11	\$ (Over)/ Under	% (Over)/ Under
<u>Rental Income</u>				
CalPERS	\$2,276	\$2,055	(\$221)	(9.7) %
Child Care Center	9	9	0	0.0 %
Golden One ATM	4	4	0	0.0 %
Total Rental Income	2,289	2,068	(221)	(9.7) %
<u>Other Income</u>				
Parking Income	795	815	20	2.5 %
Facility Income	7	5	(2)	(28.6) %
Interest Income	2	3	1	50.0 %
Miscellaneous Income	1	5	4	400.0 %
Total Other Income	805	829	23	3.0 %
Transfer from PERF	13,752	8,914	(4,838)	(35.2) %
Total Gross Income	16,847	11,811	(5,036)	(29.9) %
Total Expenditures	12,231	10,641	(1,590)	(13.0) %
Due to/(from) PERF	\$4,616	\$1,170	N/A	N/A

6.3 Summary

1. Paid in full at the beginning of the fiscal year

**CalPERS FY 2012-13 Second Quarter
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7.0 Projected and Actual Investment Expenses (in thousands)

7.1 Expenses by Category: Current Year 2012-13

	FY 2012-13 Expenditures as of 12-31-12	FY 2012-13 Projection ¹	% Budget Expended	Total Remaining Budget
External Mgmt. Fees - Base Fees	\$246,283	\$849,984	29.0%	\$603,701
Ext. Mgmt. Fees - Performance Fees ²	286,955	243,054	118.1%	(43,901)
Total External Mgmt. Fees	533,238	1,093,038	48.8%	559,800
Master Custodian ³	0	5,847	0.0%	5,847
Portfolio Mgmt. Services/Subscriptions	8,808	27,048	32.6%	18,240
Appraisal Fees	1,822	5,200	35.0%	3,378
Auditor Fees	49	308	15.9%	259
Consultant Fees	9,952	31,638	31.5%	21,686
System Consultant Fees	1,069	3,900	27.4%	2,831
Legal Fees	6,743	16,171	41.7%	9,428
Tax Advisory Services	31	237	13.1%	206
Transaction Fees	6,643	6,650	99.9%	7
Total Other Investment Expenses	35,117	96,999	36.2%	61,882
TOTALS	\$568,355	\$1,190,037	47.8%	\$621,682

7.2 Previous Year Comparison

	FY 2012-13 Expenditures as of 12-31-12	FY 2011-12 Expenditures as of 12-31-11	\$ (Over)/ Under	% (Over)/ Under
External Mgmt. Fees - Base Fees	\$246,283	\$227,768	(\$18,515)	(7.5) %
Ext. Mgmt. Fees - Performance Fees ²	286,955	68,452	(218,503)	(76.1) %
Total External Mgmt. Fees	533,238	296,220	(237,018)	55.6 %
Master Custodian	0	1,119	1,119	N/A
Portfolio Mgmt. Services/Subscriptions	8,808	9,218	410	4.7 %
Appraisal Fees	1,822	230	(1,592)	(87.4) %
Auditor Fees	49	39	(10)	(20.4) %
Consultant Fees	9,952	4,272	(5,680)	(57.1) %
System Consultant Fees	1,069	1,957	888	83.1 %
Legal Fees	6,743	2,638	(4,105)	(60.9) %
Tax Advisory Services	31	-	(31)	(100.0) %
Transaction Fees	6,643	2,944	(3,699)	(55.7) %
Total Other Investment Expenses⁴	35,117	22,417	(12,700)	63.8 %
TOTALS	\$568,355	\$318,636	(\$249,718)	56.1 %

7.3 Summary

1. External Investment Advisors 2012-13 projection information from the Investment Advisor Report, dated January 2012 and does not include Personal or Administrative Expenses
2. These amounts are highly volatile as they are based on performance of fund managers compared to various benchmarks. In addition, performance fees are calculated on various multi-year contracts and the performance period varies from manager to manager
3. Due to a lag in receiving invoices, this number may not have amounts expended in each quarter
4. Other investment expenses increase as a result of increases in the external management fee expenditures

8.0 2012-13 Position Summary

	Total Positions Authorized ¹	Total Vacant Positions	% of Vacant Positions
Actuarial Office	47.0	4.0	8.5%
Benefit Programs Policy and Planning ²	123.0	17.0	13.8%
Customer Services and Support	880.5	58.0	6.6%
Executive Office ³	20.0	3.0	15.0%
Financial Office	190.0	16.0	8.4%
General Counsel	111.0	11.0	9.9%
Investment Office ⁴	313.0	48.5	15.5%
Office of External Affairs	55.0	4.0	7.3%
Operations and Technology	254.5	22.5	8.8%
Information Technology	491.0	39.0	7.9%
TOTALS	2485.0	229.0	9.2%

1. Total Authorized Positions approved by the Board for FY 2012-13 is 2490. Five CRF positions were eliminated per BL 12-03 from DOF
2. Positions in the recruitment process
3. Small division and a few vacancies can lead to a high vacancy rate, positions are in the recruitment process
4. Executive search requires longer recruitment time