

Fiscal Year 2012-13

Third Quarter Budget and Actual Expenditure Report

Table of Contents

1.0	Budget Summary.....	3
2.0	Administrative Budget by Category.....	4
3.0	Administrative Budget by Program.....	5
4.0	Enterprise Projects Budget.....	6
5.0	Headquarters Building Account Budget by Category.....	7
6.0	Headquarters Building Account Budget: Income & Expenses.....	8
7.0	Investment Expenses.....	9
8.0	CalPERS Position Summary.....	10

**CalPERS FY 2012-13 Third Quarter
Budget and Actual Expenditure Report
For the nine months ending March 31, 2013**

1.0 Budget Summary (in thousands)

1.1 Current Year 2012-13

	FY 2012-13			Remaining Budget	% Budget Expended
	Total Budget	Actual Expenditures			
Administrative Budget	\$373,892	\$237,608		\$136,284	63.5%
Enterprise Projects Budget	84,596	50,472		\$34,124	59.7%
Budget	41,811	18,077		\$23,734	43.2%
TOTAL	\$500,299	\$306,157		\$194,142	61.2%

Notes:

The total budget of \$500.3M is \$306.2M expended or 61.2% year-to-date through March 31, 2013. The 61.2% percent compared to the 60.9% percent from last year aligns with expenditures for the nine month period.

1.2 Previous Year Comparison

	FY 2011-12 Total Actual Expenditures	Year-to-Date		\$ (Over)/ Under	% (Over)/ Under
		FY 2012-13 Actual Expenditures	FY 2011-12 Actual Expenditures		
Administrative Budget	\$323,339	\$237,608	\$223,580	(\$14,028)	(5.9) %
Enterprise Projects Budget	48,763	50,472	19,521	(30,951)	(61.3) %
Budget	35,004	18,077	16,599	(1,478)	(8.2) %
TOTAL	\$407,106	\$306,157	\$259,700	(\$46,457)	(15.2) %

Notes:

Overall expenditures are \$46.5M higher than they were at the same point in time last year. This is mainly due to the Enterprise Projects Budget, related to the Pension System Resumption Project (\$31.0M) and the Administrative Budget (\$14.0M). The contract amount was significantly higher for the FY 2012-13 than it was for FY 2011-12 resulting in higher actual expenditures for the same point in time.

**CalPERS FY 2012-13 Third Quarter
Budget and Actual Expenditure Report
For the nine months ending March 31, 2013**

2.0 Administrative Budget - By Category (in thousands)

2.1 Current Year 2012-13

	FY 2012-13			Total Remaining Budget	% Budget Expended
	Total Budget	Actual Expenditures			
Salaries & Wages ¹	248,095	\$168,361		\$79,734	67.9%
Travel	2,937	1,047		1,890	35.6%
Consultant Services	35,080	13,227		21,853	37.7%
Equipment	12,431	5,104		7,327	41.1%
Data Processing Services	15,006	13,769		1,237	91.8%
Other General Expenses	60,343	36,101		24,242	59.8%
TOTALS	\$373,892	\$237,608		\$136,283	63.5%

1. Personal Services expenditures are included in Salaries & Wages

Notes:

The total Administrative Budget as of March 31, 2013 is \$373.9M with actual expenditures of \$237.6M, leaving a remaining budget of \$136.3M. The 63.5% percent is slightly down from the 66.9% percent from last year for the same period.

2.2 Previous Year Comparison

	Year-to-Date			\$ (Over)/ Under	% (Over)/ Under
	FY 2011-12 Total Actual Expenditures	FY 2012-13 Actual Expenditures	FY 2011-12 Actual Expenditures		
Salaries & Wages ¹	\$224,873	\$168,361	\$162,961	(\$5,400)	(3.3) %
Travel	1,687	1,047	991	(56)	(5.7) %
Consultant Services	26,456	13,227	12,382	(845)	(6.8) %
Equipment	5,635	5,104	3,973	(1,131)	(28.5) %
Data Processing Services	18,659	13,769	12,623	(1,146)	(9.1) %
Other General Expenses ²	46,028	36,101	30,651	(5,450)	(17.8) %
TOTALS	\$323,339	\$237,608	\$223,580	(\$14,028)	(5.9) %

1. Personal Services expenditures are included in Salaries & Wages

2. Other General Expenses include: office expense, printing, postage, communications, and facilities operations.

Notes:

Administrative Budget expenditures of \$323.3M are \$14.0M or 5.9% over last year, mainly due to increases in salaries and wages and other general expenses.

**CalPERS FY 2012-13 Third Quarter
Budget and Actual Expenditure Report
For the nine months ending March 31, 2013**

3.0 Administrative Budget - By Program Area (in thousands)

3.1 Current Year 2012-13

	FY 2012-13			Total Remaining Budget	% Budget Expended
	Total Budget	Actual Expenditures			
Actuarial Office	\$6,161	\$4,002		\$2,159	65.0%
Benefit Programs Policy & Planning	19,339	11,620		7,719	60.1%
Customer Services and Support	81,963	60,022		21,941	73.2%
Executive Office	6,017	2,154		3,863	35.8%
Financial Office	37,660	25,763		11,897	68.4%
General Counsel	17,293	14,022		3,271	81.1%
Investment Office	52,401	29,468		22,933	56.2%
Office of External Affairs	11,689	7,559		4,130	64.7%
Operations and Technology	33,534	21,554		11,980	64.3%
Information Technology	84,365	61,443		22,922	72.8%
Unallocated	23,471	-		23,471	0.0%
TOTALS	\$373,892	\$237,608		\$136,284	63.5%

Notes:

By program area, the 63.5% of the total budget remaining aligns with the nine month period, with General Counsel being highest at 81.1%.

3.2 Previous Year Comparison

	Year-to-Date			\$ (Over)/ Under	% (Over)/ Under
	FY 2011-12 Total Actual Expenditures	FY 2012-13 Actual Expenditures	FY 2011-12 Actual Expenditures		
Actuarial Office	\$5,539	\$4,002	\$4,056	\$54	1.3 %
Benefit Programs Policy & Planning	17,896	11,620	11,848	228	2.0 %
Customer Services and Support	78,940	60,022	57,637	(2,385)	(4.0) %
Executive Office	4,442	2,154	2,144	(10)	(0.5) %
Financial Office	33,720	25,763	23,989	(1,774)	(6.9) %
General Counsel	16,992	14,022	11,119	(2,903)	(20.7) %
Investment Office	44,751	29,468	27,448	(2,020)	(6.9) %
Office of External Affairs	11,826	7,559	7,828	269	3.6 %
Operations and Technology	29,441	21,554	20,510	(1,044)	(4.8) %
Information Technology	79,792	61,443	57,003	(4,440)	(7.2) %
TOTALS	\$323,339	\$237,608	\$223,580	(\$14,025)	(5.9) %

Notes:

When comparing actual expenditures from this fiscal year to the last fiscal year, expenditures are \$14.0M or 5.9% higher. Increases in Information Technology (\$4.4M), General Counsel (\$2.9M), Customer Services and Support (\$2.4M), and the Investment Office (\$2.0M) mainly contribute to these higher expenditures.

**CalPERS FY 2012-13 Third Quarter
Budget and Actual Expenditure Report
For the nine months ending March 31, 2013**

4.0 Enterprise Projects Budget - By Category (in thousands)

4.1 Current Year 2012-13

	FY 2012-13			Total Remaining Budget	% Budget Expended
	Total Budget	Actual Expenditures			
Enterprise Transition Management	\$3,658	\$1,753		\$1,905	47.9%
Pension System Resumption ¹	65,192	42,414		22,778	65.1%
Financial Services Integration Project	-	-		0	N/A
Legacy Support - Projects ²	5,822	2,303		3,519	39.6%
Contact Center Upgrade	1,009	76		933	7.5%
My CalPERS CSOD	3,676	1,789		1,887	48.7%
My CalPERS BNSD	2,453	1,070		1,383	43.6%
My CalPERS CASD	2,786	1,067		1,719	38.3%
TOTAL	\$84,596	\$50,472		\$34,124	59.7%

Notes:

The total Enterprise Projects Budget is \$84.6M with actual expenditures as of March 31, 2013 totaling \$50.5M leaving a remaining budget of \$34.1M. This represents 59.7% of the total budget. In comparison to the same point in time last year of 39.2%, the percentage is higher this year compared to last year because of the Pension System Resumption Project expenditures.

4.2 Previous Year Comparison

	Year-to-Date			\$ (Over)/ Under	% (Over)/ Under
	FY 2011-12 Total Actual Expenditures	FY 2012-13 Actual Expenditures	FY 2011-12 Actual Expenditures		
Enterprise Transition Management	\$4,982	\$1,753	\$2,193	\$440	25.1 %
Pension System Resumption	41,198	42,414	15,683	(26,731)	(63.0) %
Financial Services Integration Project	2,583	-	1,645	N/A	N/A
Legacy Support - Projects		2,303	-	N/A	N/A
Contact Center Upgrade		76	-	N/A	N/A
My CalPERS CSOD		1,789	-	N/A	N/A
My CalPERS BNSD		1,070	-	N/A	N/A
My CalPERS CASD		1,067	-	N/A	N/A
TOTAL	\$48,763	\$50,472	\$19,521	(\$26,291)	(61.3) %

Notes:

Enterprise Project expenditures are \$26.3M or 61.3% higher than they were at the same point in time last year due to the Pension System Resumption Project total budget being higher overall compared to the previous year.

**CalPERS FY 2012-13 Third Quarter
Budget and Actual Expenditure Report
For the nine months ending March 31, 2013**

5.0 Headquarters Building Account Budget - By Category (in thousands)

5.1 Current Year 2012-13

	FY 2012-13			
	Total Budget	Actual Expenditures	Total Remaining Budget	% Budget Expended
LPBA Operating Expenses	\$15,399	\$9,762	5,637	63.4%
Non-LPBA Operating Expenses	1,663	1,381	282	83.0%
Total Operating Expenses	17,062	11,142	5,920	65.3%
Owner Improvements	6,824	3,848	2,976	56.4%
Building Improvements	10,263	1,576	8,687	15.4%
Total Non-Operating Expenses	17,087	5,424	11,663	31.7%
Other Expenditures	7,661	1,511	6,150	19.7%
TOTAL	\$41,811	\$18,077	23,734	43.2%

Notes:

The total Headquarters Building Account Budget of \$41.8M is \$18.1M expended year-to-date through March 31, 2013. This represents 43.2% of the total budget and leaves a remaining budget of \$23.7M for FY 2012-13. At the same point last year, 39.0% of the budget had been expended. The 43.2% compared to the 39.0% percent from last year is slightly higher than last year for the same period due to the auditorium upgrade.

5.2 Previous Year Comparison

	Year-to-Date				
	FY 2011-12 Total Actual Expenditures	FY 2012-13 Actual Expenditures	FY 2011-12 Actual Expenditures	\$ (Over)/ Under	% (Over)/ Under
LPBA Operating Expenses	\$15,332	\$9,762	\$10,438	\$676	6.9 %
Non-LPBA Operating Expenses	2,445	1,381	1,275	(106)	(7.7) %
Total Operating Expenses	17,777	11,142	11,713	570	5.1 %
Owner Improvements ¹	3,880	3,848	2,307	(1,541)	(40.0) %
Building Improvements ²	8,121	1,576	896	(680)	(43.1) %
Total Non-Operating Expenses	12,001	5,424	3,203	(2,221)	(40.9) %
Other Expenses	5,227	1,511	1,683	172	11.4 %
TOTAL	\$35,004	\$18,077	\$16,599	(\$1,479)	(8.2) %

Notes:

1. Owner Improvements expenditures are higher in comparison to last year due to the auditorium upgrade.
2. Building Improvements expenditures are higher due to the Lincoln Plaza North power enhancement project.

**CalPERS FY 2012-13 Third Quarter
Budget and Actual Expenditure Report
For the nine months ending March 31, 2013**

6.0 Headquarters Building Account Budget - By Income and Expenditure Summary (in thousands)

6.1 Current Year 2012-13

	FY 2012-13		Total Remaining Budget	% Budget Expended
	Total Budget	Actual Expenditures		
<u>Rental Income</u>				
CalPERS	\$4,624	\$3,459	\$1,165	74.8%
Child Care Center	18	14	4	77.8%
Golden One ATM	4	4	0	100.0%
Total Rental Income	4,645	3,476	1,169	74.8%
<u>Other Income</u>				
Parking Income	1,740	1,194	546	68.6%
Facility Income	11	10	1	90.9%
Interest Income	5	3	2	60.0%
Miscellaneous Income	0	1	(1)	333.3%
Total Other Income	1,756	1,208	548	68.8%
Transfer from PERF	35,409	15,431	19,978	43.6%
Total Gross Income	41,811	20,114	21,697	48.1%
Total Expenditures	41,811	18,934	22,877	45.3%
Due to/(from) PERF	\$0	1,180	N/A	N/A

Notes:

The total rental income budget is \$4.6M and is \$3.5M expended for a percentage of 74.8%. At the same point in time last year the budget was \$4.6M with expenditures of \$3.2M or 69.3%. For the total other income the budget is \$1.8M with actual expenditures of \$1.2M for a percentage of 68.8%. At the same point in time last year the budget was \$1.8M with expenditures of \$1.2 or 69.0%.

6.2 Previous Year Comparison

	Year-to-Date			\$ (Over)/ Under	% (Over)/ Under
	FY 2011-12 Total Actual Expenditures	FY 2012-13 Actual Expenditures	FY 2011-12 Actual Expenditures		
<u>Rental Income</u>					
CalPERS	\$4,342	\$3,459	\$3,188	(\$271)	(7.8) %
Child Care Center	18	14	14	0	0.0 %
Golden One ATM	4	4	4	0	0.0 %
Total Rental Income	4,363	3,476	3,205	(271)	(7.8) %
<u>Other Income</u>					
Parking Income	1,598	1,194	1,191	-3	(0.3) %
Facility Income	13	10	9	(1)	(10.0) %
Interest Income	6	3	4	1	33.3 %
Miscellaneous Income	5	1	5	4	400.0 %
Total Other Income	1,621	1,208	1,210	1	0.2 %
Transfer from PERF	23,604	15,431	14,604	(827)	(5.4) %
Total Gross Income	29,589	20,114	19,018	(1,096)	(5.4) %
Total Expenditures	35,004	18,934	17,422	(1,512)	(8.0) %
Due to/(from) PERF	(\$5,415)	\$1,180	\$1,596	N/A	N/A

Notes:

Headquarters Building Account Budget - By Income and Expenditures are in line as to where they were at the same point in time last year.

**CalPERS FY 2012-13 Third Quarter
Budget and Actual Expenditure Report
For the nine months ending March 31, 2013**

Item 4d, Attachment 1
Page 9 of 10

7.0 Investment Expenses - Projected and Actual (in thousands)

7.1 Expenses by Category: Current Year 2012-13

	FY 2012-13			Total Remaining Budget	% Budget Expended
	Total Projection ¹	Actual Expenditures			
External Mgmt. Fees - Base Fees	\$849,984	\$352,744		\$2	41.5%
Ext. Mgmt. Fees - Performance Fees	243,054	313,471		(70,417)	129.0%
Total External Mgmt. Fees	1,093,038	666,215		426,823	61.0%
Master Custodian	6,979	2,944		4,035	42.2%
Portfolio Mgmt. Services/Subscriptions	21,447	14,560		6,887	67.9%
Appraisal Fees	5,578	2,748		2,830	49.3%
Auditor Fees	308	189		119	61.4%
Consultant Fees	43,252	14,640		28,612	33.8%
System Consultant Fees	4,175	2,043		2,132	48.9%
Legal Fees	16,171	10,606		5,565	65.6%
Tax Advisory Services	237	31		206	13.1%
Transaction Fees	3,036	6,880		-3,844	226.6%
Total Other Investment Expenses	101,183	54,641		46,542	54.0%
TOTALS	\$1,194,221	\$720,856		\$473,365	60.4%

1. External Investment Advisors 2012-13 projection information from the Investment Advisor Report, dated January 2012 and does not include Personal or Administrative Expenses.

Notes:

The total Investment Projection as of March 31, 2013 is \$1.2B with actual expenditures of \$720.9M, leaving a remaining budget of \$473.4M. This represents 60.4% of the total budget. In comparison to the same point in time last year \$473.0M of the \$1.1B budget was expended for a total of 42.0% of the budget. The percentage is higher this year in comparison to last year due to higher actual performance fees.

7.2 Previous Year Comparison

	Year-to-Date			\$ (Over)/ Under	% (Over)/ Under
	FY 2011-12 Total Actual Expenditures	FY 2012-13 Actual Expenditures	FY 2011-12 Actual Expenditures		
External Mgmt. Fees - Base Fees	\$464,298	\$352,744	\$357,754	\$5,010	1.4 %
Ext. Mgmt. Fees - Performance Fees ²	109,085	313,471	74,802	(238,669)	(76.1) %
Total External Mgmt. Fees	573,383	666,215	432,556	(233,659)	64.9 %
Master Custodian	7,712	2,944	4,181	1,237	N/A
Portfolio Mgmt. Services/Subscriptions	20,628	14,560	13,962	(598)	(4.1) %
Appraisal Fees	3,512	2,748	545	(2,203)	(80.2) %
Auditor Fees	179	189	135	(54)	(28.6) %
Consultant Fees	21,160	14,640	11,572	(3,068)	(21.0) %
System Consultant Fees	4,441	2,043	2,881	838	41.0 %
Legal Fees	9,050	10,606	4,021	(6,585)	(62.1) %
Tax Advisory Services	586	31	176	145	467.7 %
Transaction Fees	3,029	6,880	2,950	(3,930)	(57.1) %
Total Other Investment Expenses³	70,296	54,641	40,423	(14,218)	74.0 %
TOTALS	\$643,679	\$720,856	\$472,979	(\$247,877)	65.6 %

Notes:

2. These amounts are based on benchmark performance of fund managers and will vary based on asset performance. Performance fees are calculated on numerous multi-year contracts with performance period varying from manager to manager.

3. Other investment expenses increased by \$14.2M mainly due to increases in Legal, Consultant, and Transaction Fees.

8.0 2012-13 Position Summary

	Total Positions Authorized¹	Total Vacant Positions	% of Vacant Positions
Actuarial Office	48.0	2.0	4.2%
Benefit Programs Policy and Planning	126.0	16.0	12.7%
Customer Services and Support	884.5	67.5	7.6%
Executive Office	19.0	2.0	10.5%
Financial Office	198.0	25.0	12.6%
General Counsel	116.0	14.0	12.1%
Investment Office²	321.0	51.5	16.0%
Office of External Affairs	60.0	6.0	10.0%
Operations and Technology	255.5	29.5	11.5%
Information Technology³	543.0	75.0	13.8%
TOTALS	2571.0	289.5	11.3%

Notes:

1. Total Authorized Positions approved by the Board for FY 2012-13 Mid-Year is 2571. As of March 31, 2013, 289.5 of the total 2571 positions are vacant, resulting in a vacancy rate of 11.3%. At the same point in time last year, 218.0 of the total 2393 positions were vacant, resulting in a vacancy rate of 9.1% for the enterprise.
2. The Investment Office has a higher than average vacancy rate due to a longer recruitment time.
3. The Information Technology Branch has a higher than average vacancy rate due to 52 approved positions in the Mid-Year process.