

**CalPERS FY 2012-13 Year-End
Budget and Expenditure Report Detail
For the 12 months ending June 30, 2013
(\$ Thousands)**

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1.0 BUDGET SUMMARY

2012-13 Actual Compared to 2012-13 Budget

Of the total \$500.3M Administrative, Enterprise Project, and Headquarters Building Account Budgets, CalPERS expended \$467.0M which was \$33.3M (6.7%) under budget. Over the course of the fiscal year (FY), numerous factors contributed to keeping our expenses under budget:

- Personal Leave Program budget reductions reached through collective bargaining
- Reducing consultant expenditures through the FY 2012-13 Business Plan Initiative
- Executive orders to reduce enterprise travel expenses
- Salary savings from 178.0 new positions approved during the Annual and Mid-Year Budget Processes. During the hiring

	FY 2012-13				FY 2011-12			FY 2012-13 in comparison to FY 2011-12
	Total Expenditures	Budget	\$ (Over)/ Under	% (Over)/ Under	Total Expenditures	\$ (Over)/ Under	% (Over)/ Under	
Administrative Budget	\$351,677	\$373,892	\$22,215	5.9%	\$323,339	(\$28,338)	(8.1)%	
Enterprise Projects Budget	83,562	84,596	1,034	1.2%	48,763	(34,799)	(41.6)%	
Headquarters Building Account Budget	31,720	41,811	10,091	24.1%	35,004	3,284	10.4%	
TOTAL	\$466,959	\$500,299	\$33,340	6.7%	\$407,106	(\$59,853)	(12.8)%	

Actual 2012-13 to Actual 2011-12 Comparison:

The Administrative expenses in FY 2012-13 are higher due to Board approved Annual and Mid-Year growth, which includes funding for an additional 178.0 positions.

Enterprise Project expenses in FY 2012-13 are higher by \$34.8M or 41.6% due to the Pension System Resumption Project and new projects addressed in the Enterprise Project section.

With the recent vacancy of Housing and Community Development, the Headquarters Building Account Budget is under-expended in FY 2012-13 due to improvements and renewals on the 1800 3rd Street Building being postponed or incomplete.

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2.0 ADMINISTRATIVE BUDGET BY CATEGORY

2012-13 Actual Compared to 2012-13 Budget

Of the total \$373.9M Administrative Budget, CalPERS expended \$351.7M which was \$22.2M or 5.9% under budget. In FY 2012-13 expenses were under budget mainly due to the Personal Leave Program, travel reduction, salary savings, and delays in hiring of 178.0 new positions approved by the Board during the FY 2012-13 Annual and Mid-Year Budget Processes.

Travel was significantly under expended due to the Governor's Executive Order reducing travel.

Consultant Services were under expended due to The Business Plan Initiative of Knowledge Transfer, Insourcing, and Consultant Reduction which transferred workload from consultants to state staff.

	FY 2012-13				FY 2012-13 in comparison to FY 2011-12		
	Total Expenditures	Budget	\$ (Over)/ Under	% (Over)/ Under	Total Expenditures	\$ (Over)/ Under	% (Over)/ Under
Salaries & Wages	\$232,158	\$241,783	\$9,625	4.0%	\$224,873	(\$7,285)	(3.1)%
Travel	1,732	2,968	1,236	41.6%	1,687	(45)	(2.6)%
Consultant Services	28,252	36,030	7,778	21.6%	26,456	(1,796)	(6.4)%
Equipment	17,092	20,564	3,472	16.9%	5,636	(11,456)	(67.0)%
Data Processing Services	15,807	15,005	(802)	(5.3)%	18,659	2,852	18.0%
Other General Expenses	56,636	57,542	906	1.6%	46,028	(10,608)	(18.7)%
TOTAL	\$351,677	\$373,892	\$22,215	5.9%	\$323,339	(\$28,338)	(8.1)%

Actual 2012-13 to Actual 2011-12 Comparison:

Compared to FY 2011-12, the expenditures for FY 2012-13 were \$28.3M or 8.1% higher due mainly to the one-time Information Technology Hardware Refresh. Much of CalPERS equipment was outdated and overdue for replacement.

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3.0 ADMINISTRATIVE BUDGET BY PROGRAM

2012-13 Actual Compared to 2012-13 Budget

Of the total \$373.9M Administrative Budget, CalPERS expended \$351.7M which is \$22.2M or 5.9% under budget due mainly to the Personal Leave Program, travel reduction and salary savings due to delays in hiring.

	FY 2012-13				FY 2011-12	FY 2012-13 in comparison to FY 2011-12	
	Total Expenditures	Budget	\$ (Over)/ Under	% (Over)/ Under	Total Expenditures	\$ (Over)/ Under	% (Over)/ Under
Actuarial Office	\$6,192	\$6,199	\$7	0.1%	\$5,539	(\$653)	(10.5)%
Benefit Programs Policy & Planning	18,848	19,431	583	3.0%	17,896	(952)	(5.1)%
Customer Services and Support	81,274	82,343	1,069	1.3%	78,940	(2,334)	(2.9)%
Executive Office	3,982	4,012	30	0.7%	4,442	460	11.6%
Financial Office	35,953	37,548	1,595	4.2%	33,720	(2,233)	(6.2)%
General Counsel	23,598	23,803	205	0.9%	16,992	(6,606)	(28.0)%
Investment Office	47,085	48,808	1,723	3.5%	44,751	(2,334)	(5.0)%
Office of External Affairs	11,562	12,326	764	6.2%	11,826	264	2.3%
Operations and Technology	31,209	32,081	872	2.7%	29,441	(1,768)	(5.7)%
Information Technology	91,974	92,383	409	0.4%	79,792	(12,182)	(13.2)%
Unallocated	0	14,958	14,958	100.0%	0	0	N/A
TOTAL	\$351,677	\$373,892	\$22,215	5.9%	\$323,339	(\$28,338)	(8.1)%

Actual 2012-13 to Actual 2011-12 Comparison:

Compared to the FY 2011-12 FY Administrative Budget, CalPERS expended an additional \$28.3M or 8.1%.

Actuarial Office-higher expenditures due to Actuarial Valuation System (AVS) upgrades.

Customer Services and Support- lower expenditures in the Benefit Services Division due to Independent Medical Examiner invoices.

Executive Office-lower expenditures due to vacancies that lead to salary savings.

General Counsel-higher expenditures due to incurred legal costs.

Investment Office- lower expenditures due to salary savings from vacancies and Investment bonus accruals less than budget

Information Technology-higher expenditures due to Oracle Hardware Refresh, Business Intelligence, and PeopleSoft HCM upgrades.

Unallocated-reflects the savings from the Personal Leave Program and travel reduction, as well as salary savings.

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4.0 ENTERPRISE PROJECT BUDGET BY CATEGORY

2012-13 Actual Compared to 2012-13 Budget

Of the total \$84.6M Enterprise Project Budget, CalPERS expended \$83.6M which is \$1.0M or 1.2% under budget. Savings were mainly due to a reduction in over-time and salary savings from vacancies.

	FY 2012-13				FY 2011-12			FY 2012-13 in comparison to FY 2011-12
	Total Expenditures	Budget	\$ (Over)/ Under	% (Over)/ Under	Total Expenditures	\$ (Over)/ Under	% (Over)/ Under	
Enterprise Transition Management	\$3,651	\$3,658	\$7	0.2%	\$4,982	(\$1,331)	36.5%	
Pension System Resumption	66,213	66,280	67	0.1%	41,198	25,015	(37.8)%	
Financial Services Integration Project	0	0	0	N/A	2,583	(2,583)	N/A	
Legacy Support - Projects	4,732	4,734	2	0.0%	0	4,732	(100.0)%	
Contact Center Upgrade	951	1,009	58	5.7%	0	951	(100.0)%	
My CalPERS CSOD	3,032	3,482	450	12.9%	0	3,032	(100.0)%	
My CalPERS BNSD	2,024	2,453	429	17.5%	0	2,024	(100.0)%	
My CalPERS CASD	2,959	2,980	21	0.7%	0	2,959	(100.0)%	
TOTAL	\$83,562	\$84,596	\$1,034	1.2%	\$48,763	\$34,799	(41.6)%	

Actual 2012-13 to Actual 2011-12 Comparison:

In comparison to last FY 2011-12 expenditures were \$34.8M or 41.6% less than FY 2012-13. This increase is due to higher expenditures related to the Pension Resumption Project (PSR). In FY 2012-13 PSR received Board and Executive approval to extend and amend the Accenture contract for one additional year. The funds were to address Pension Reform, identity and access management, and additional operations and enhancements.

There was also the addition of new projects:

- Legacy Support Project to assist my|CalPERS
- Contact Center Upgrade to intergrate Phase II of the Interactive Voice Response system
- my|CalPERS CSOD, BNSD, and CASD to develop and intergrate system functionality and operation enhancements

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5.0 HEADQUARTERS BUILDING ACCOUNT BY CATEGORY

2012-13 Actual Compared to 2012-13 Budget

Of the total \$41.8M Headquarters Building Account Budget, CalPERS expended \$31.7M which was \$10.1M or 24.1% under budget. In comparison to FY 2011-12 CalPERS was under expended by 10.4%.

With the recent vacancy of Housing and Community Development, the Headquarters Building Account Budget is significantly under expended in FY 2012-13 because improvements and renewals on the 1800 3rd Street Building have been postponed or incomplete.

Other Expenditures in FY 2012-13 are under budget because of changes to the Master Space Plan and less furniture being ordered.

	FY 2012-13				FY 2011-12			FY 2012-13 in comparison to FY 2011-12	
	Total Expenditures	Budget	\$ (Over)/ Under	% (Over)/ Under	Total Expenditures	\$ (Over)/ Under	% (Over)/ Under		
LPBA Operating Expenses	\$14,421	\$15,399	\$978	6.4%	\$15,332	\$911	6.3%		
Non-LPBA Operating Expenses	2,756	1,663	(1,093)	(65.7)%	2,445	(311)	(11.3)%		
Total Operating Expenses	\$17,177	\$17,062	(\$115)	(0.7)%	\$17,777	\$600	3.5%		
Owner Improvements	\$7,023	\$6,824	(\$199)	(2.9)%	\$3,880	(\$3,143)	(44.8)%		
Building Improvements	2,867	10,263	7,396	72.1%	8,121	5,254	183.3%		
Total Non-Operating Expenses	\$9,890	\$17,087	\$7,197	42.1%	\$12,001	\$2,111	21.3%		
Other Expenditures	\$4,653	\$7,662	\$3,009	39.3%	\$5,226	\$573	12.3%		
TOTAL	\$31,720	\$41,811	\$10,091	24.1%	\$35,004	\$3,284	10.4%		

Actual 2012-13 to Actual 2011-12 Comparison:

Owner Improvements in FY 2012-13 in comparison to FY 2011-12 are over due to more tenant improvements and the auditorium upgrade.

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6.0 HEADQUARTERS BUILDING ACCOUNT BUDGET BY INCOME AND EXPENDITURE SUMMARY

2012-13 Actual Compared to 2012-13 Budget

Due to total expenditures being greater than the total gross income, \$3.1M will be recovered from the PERF compared to last year's net recovery of \$5.4M.

	FY 2012-13				FY 2011-12			FY 2012-13 in comparison to FY 2011-12
	Total Expenditures	Budget	\$ (Over)/ Under	% (Over)/ Under	Total Expenditures	\$ (Over)/ Under	% (Over)/ Under	
Rental Income								
CalPERS	\$4,612	\$4,624	\$12	0.3%	\$4,342	(\$270)	(5.9)%	
Child Care Center	18	18	0	0.0%	18	0	0.0%	
Golden One ATM	4	4	0	0.0%	4	0	0.0%	
Total Rental Income	\$4,634	\$4,646	\$12	0.3%	\$4,364	(\$270)	(5.8)%	
Other Income								
Parking Income	\$1,619	\$1,740	\$121	7.0%	\$1,598	(\$21)	(1.3)%	
Facility Income	13	11	(2)	(18.2)%	13	0	0.0%	
Interest Income	4	5	1	20.0%	6	2	50.0%	
Miscellaneous Income	1	0	(1)	(233.3)%	5	4	400.0%	
Total Other Income	\$1,637	\$1,756	\$119	6.8%	\$1,622	(\$15)	(0.9)%	
Transfer from PERF	\$22,372	\$35,409	\$15,431	36.8%	\$23,604	\$1,232	5.5%	
Total Gross Income	\$28,643	\$41,811	\$13,168	31.5%	\$29,589	\$946	3.3%	
Total Expenditures	\$31,720	\$41,811	\$10,091	24.1%	\$35,004	\$3,284	10.4%	
Due to/(from) PERF	(\$3,077)	\$0	\$3,077	N/A	(\$5,415)	N/A	N/A	

Actual 2012-13 to Actual 2011-12 Comparison:

In comparison to FY 2011-12 CalPERS under expended by 10.4%. In regards to the rental income, other income, transfer from PERF and total gross income for FY 2012-13 are in line with FY 2011-12.

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7.0 INVESTMENT EXPENSE PROJECTED AND ACTUAL

2012-13 Actual Compared to 2012-13 Budget

Of the total \$1,190.0M Investment Expense Projection, CalPERS expended \$1,278.3M (7.4%) over the projection. Investment expenses are higher \$88.3M or 7.4% as a result of greater investment returns.

	FY 2012-13				FY 2011-12	FY 2012-13 in comparison to FY 2011-12	
	Total Expenditures	Projection	\$ (Over)/ Under	% (Over)/ Under	Total Expenditures ¹	\$ (Over)/ Under	% (Over)/ Under
External Mgmt. Fees - Base Fees	\$596,337	\$849,984	\$253,647	29.8%	\$808,225	\$211,888	35.5%
Ext. Mgmt. Fees - Performance Fees	590,172	243,054	(347,118)	(142.8)%	165,412	(424,760)	(72.0)%
Total External Mgmt. Fees²	\$1,186,509	\$1,093,038	(\$93,471)	(8.6)%	\$973,637	(212,872)	(17.9)%
Master Custodian	\$7,528	\$5,847	(\$1,681)	(28.7)%			
Portfolio Mgmt. Services/ Subscriptions	26,574	27,048	474	0.0			
Appraisal Fees	6,627	5,200	(1,427)	(27.4)%			
Auditor Fees	776	308	(468)	(151.9)%			
Consultant Fees	22,024	31,638	9,614	30.4%			
System Consultant Fees	3,399	3,900	501	12.8%			
Legal Fees	15,822	16,171	349	2.2%			
Tax Advisory Services	1,235	237	(998)	(421.1)%			
Transaction Fees³	7,855	6,650	(1,205)	(18.1)%			
Total Other Investment Expenses	\$91,840	\$96,999	\$5,159	5.3%	\$95,010	\$3,170	3.5%
TOTAL	\$1,278,348	\$1,190,037	(\$88,312)	(7.4)%	\$1,068,647	(\$209,701)	(16.4)%

Actual 2012-13 to Actual 2011-12 Comparison:

In comparison to FY 2011-12, actual investment expense performance fees were \$212.9M or 17.9% over expended due to higher returns for the year.

¹ Methodology of using investment accounting reporting to compile FY 2011-12 expenditure data differs from the Comprehensive INVO Expense Reporting used to source the FY 2012-13 expenditures; and therefore, details of other investment expenses are unavailable.

² Absolute Return Strategies and Corporate Governance fees were not projected in FY 2012-13 and not represented in actuals.

³ Transaction fees do not include expenditures from portfolio related transactions (e.g. security lending fees, commissions & fees, dividend tax expense).

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8.0 THIRD PARTY ADMINISTRATOR

2012-13 Actual Compared to 2012-13 Budget

Of the total \$103.0 Third Party Administrator Projection, CalPERS expended \$105.4M which was or \$2.4M or 2.3% over the original projection. The Self-Funded Health Program was \$3.8M or 4.8% over the projection, offset by under expenditures of \$1.9M or 9.1% in the Long Term Care Program.

	FY 2012-13				FY 2011-12	FY 2012-13 in comparison to FY 2011-12	
	Total Expenditures	Projection	\$ (Over)/ Under	% (Over)/ Under	Total Expenditures	\$ (Over)/ Under	% (Over)/ Under
Long Term Care Program	\$18,780	\$20,650	\$1,870	9.1%	\$21,718	\$2,938	15.6%
Self-Funded Health Program	83,054	79,241	(3,813)	(4.8)%	76,654	(6,400)	(7.7)%
Supplemental Income Plan	3,587	3,140	(447)	(14.2)%	3,181	(406)	(11.3)%
TOTAL	\$105,421	\$103,031	(\$2,390)	(2.3)%	\$101,553	(\$3,868)	(3.7)%

Actual 2012-13 to Actual 2011-12 Comparison:

The Self-Funded Health care program under-projected costs by \$3.8M in FY 2012-13 and spent \$6.4M more than prior FY 2011-12 due to the new Employer Group Waiver Plan (EGWP) for Medicare D participants. EGWP caused the administrative fee charges by Medicare to increase January 1, 2013.

The Supplemental Income Plan variance is tied to the amended contract with the Third Party Administrator that outsourced all field services to ING. This included the addition of 3 full time staff to accommodate the territory coverage at \$140k each. In 2011-2012 the rep's were pro-rated based on hire date.

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9.0 POSITION SUMMARY

The total Authorized Positions approved by the Board for FY 2012-13 Mid-Year were 2,571.0. As of June 30, 2013, 228.5 of the total 2,571.0 positions were vacant, resulting in a vacancy rate of 8.9%. At the same point in time last year, 207.5 of the total 2,393.0 positions were vacant, resulting in a vacancy rate of 8.7% for the Enterprise.

	Authorized Positions	Vacant Positions	% of Vacant Positions
Actuarial Office	48.0	2.0	4.2%
Benefit Programs Policy and Planning	126.0	12.0	9.5%
Customer Services and Support	884.5	45.0	5.1%
Executive Office	19.0	4.0	21.1%
Financial Office	198.0	26.0	13.1%
General Counsel	116.0	11.5	9.9%
Investment Office	321.0	35.5	11.1%
Office of External Affairs	60.0	3.0	5.0%
Operations and Technology	255.5	24.5	9.6%
Information Technology	543.0	64.0	11.8%
TOTAL	2571.0	228.5	8.9%

Executive Office-due to attrition of support staff. (21.1%)

Financial Office-due to 10.0 new Annual positions and the difficulty in recruiting new staff with the specific competencies needed for pension accounting. (13.1%)

Investment Office-due to 52.0 new Annual and Mid-Year positions and longer recruitment times. (11.1%)

Information Technology-due to 72.0 new Annual and Mid-Year positions. (11.8%)