Finance & Administration Committee

California Public Employees' Retirement System

Agenda Item 5b

November 18, 2014

ITEM NAME: 2014-15 Mid-Year Budget Revisions (First Reading)

PROGRAM: Financial Office

ITEM TYPE: Action

RECOMMENDATION

Approve the California Public Employees' Retirement System Fiscal Year (FY) 2014-15 Mid-Year Total Budget of $1,858,230,000 and 2,727 positions.

Approve the transmittal of this agenda item to the Joint Legislative Budget Committee, fiscal committees of the Legislature, State Controller, and Department of Finance, in accordance with the 2014 Budget Act, and to the Legislative Analyst's Office, Governmental Operations Agency, and the Office of the Legislative Counsel.

EXECUTIVE SUMMARY

The CalPERS proposed FY 2014-15 Mid-Year Budget totals $1,858,230,000, representing a decrease of $3,751,000 (-0.20 percent) from the authorized FY 2014-15 Annual Budget of $1,861,981,000. There is no change being requested for the 2,727 authorized positions approved in the FY 2014-15 Annual Budget process. The budget details are as follows:

Total Budget Comparison

(in millions)

	FY 2014-15 Annual Budget	FY 2014-15 Mid-Year Adjustments	Proposed FY 2014-15 Mid-Year Budget	% Change From Annual
Administrative Operating Costs	$415.1	$3.2	$418.3	0.8%
Investment Operating Costs	80.6	0.0	80.6	0.0%
Total Operating Costs	**$495.7**	**$3.2**	**$498.9**	**0.6%**
Enterprise Projects	**27.9**	**(3.0)**	**24.9**	**(10.7%)**
Headquarters Building Costs	**32.6**	**0.0**	**32.6**	**0.0%**
Subtotal	**$556.2**	**$0.2**	**$556.4**	**0.0%**
Investment External Management Fees[1]	**$1,016.5**	**$0.0**	**$1,016.5**	**0.0%**
Third Party Administrator Fees	**$289.3**	**($4.0)**	**$285.3**	**(1.4%)**
CalPERS Total Budget	**$1,862.0**	**($3.8)**	**$1,858.2**	**(0.2%)**
Total Positions	**2,727.0**		**2,727.0**	**0.0%**

[1] Investment External Management Fees include both Base and Performance Fees.

STRATEGIC PLAN

This agenda item supports Goal B of the CalPERS 2012-2017 Strategic Plan, which is to cultivate a high-performing, risk-intelligent and innovative organization. Through the Mid-Year Budget process, budget adjustments aid in addressing and mitigating budget risks to ensure sufficient funding to meet operational requirements and the continued delivery of quality and efficient service to our members and employers.

BACKGROUND

The purpose of the Mid-Year Budget process is to address enterprise critical, unforeseen, and emergency resources not included in the FY 2014-15 Annual Budget authority. Examples may include requests to address new legislative mandates, compliance with new laws or regulations, or new Board initiatives. All Formal Budget Requests submitted during the mid-year process are required to meet these criteria for consideration and inclusion in the mid-year budget process.

The mid-year budget process also provides an opportunity to review the current forecasted projections and present adjustments to the authorized budget to provide information that shapes a more realistic forecast based on current actual results and anticipated costs for the remainder of the fiscal period.

Those submissions that were not included in this request were either deferred to the annual budget process because they did not meet the criteria or resources were identified from within.

ANALYSIS

The FY 2014-15 CalPERS Mid-Year Budget of $1,858,230,000 represents an approximate decrease of $3,751,000 (-0.20 percent) from the FY 2014-15 CalPERS Annual Budget of $1,861,981,000, due to the following forecasted changes:

	Dollars (in thousands)		Positions
Authorized FY 2014-15 Budget		**$1,861,981**	**2,727**
Additions:			
Benefit Rate Adjustments for Retirement, Health & Dental	3,659		
Total Additions		**3,659**	
Reductions:			
West Sacramento Location	(450)		
Actuarial Valuation System (AVS)	(1,500)		
myICalPERS System	(1,500)		
Self-funded Health Program	(3,960)		
Total Reductions		**(7,410)**	
Net change to Mid-Year Budget		**(3,751)**	
Proposed FY 2014-15 Mid-Year Budget		**$1,858,230**	**2,727**

The attachment for the FY 2014-15 mid-year budget revisions outlines in detail the identified costs and offsetting savings associated with the forecasted changes to the proposed FY 2014-15 Mid-Year Budget.

BENEFITS/RISKS

The approval of the proposed FY 2014-15 Mid-Year Budget will provide necessary funding to support benefits for staff and meet enterprise needs. It also reflects the anticipated adjustments necessary to more accurately reflect the forecasted costs for the 2014-15 budget year while still meeting the commitments contained in the original submission.

The risk of not approving the proposed Mid-Year Budget revisions could potentially inhibit the organization's ability to achieve the initiatives and meet the strategic goals and objectives of the enterprise as set out in the CalPERS 2013-15 business plan.

ATTACHMENTS

Attachment 1: Fiscal Year 2014-15 Mid-Year Budget Revisions
Attachment 2: Transmittal Letter

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