



Agenda Item 5b

November 17, 2015

ITEM NAME: 2015-16 Mid-Year Budget Revisions (First Reading)

PROGRAM: Financial Office

ITEM TYPE: Action

RECOMMENDATION

Approve the California Public Employees' Retirement System Fiscal Year (FY) 2015-16 Mid-Year Total Budget of \$1,807,600,000.

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 2015 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 2015-16 Mid-Year Budget totals \$1,807,600,000, representing a decrease of \$12,108,000 (-0.7 percent) from the authorized FY 2015-16 Annual Budget of \$1,819,708,000. It is also the fourth formal budget process in which the budget has been reduced. The budget details are as follows:

Fiscal Year 2015-16 Mid-Year CalPERS Total Budget

(in thousands)	FY 2015-16 Annual Budget	Mid-Year Adjustments	FY 2015-16 Proposed Mid-Year Budget	% Change From Annual
Administrative Operating Costs	\$443,546	\$1,151	\$444,697	0.3%
Investment Operating Costs ¹	82,959	-	82,959	-
Investment External Management Fees ²	930,726	-	930,726	-
Subtotal: Operating Costs	\$1,457,231	\$1,151	\$1,458,382	0.1%
Enterprise Projects Costs	37,508	-	37,508	-
Headquarters Building Costs	30,350	-	30,350	-
Third Party Administrator Fees	294,619	(13,259)	281,360	(4.5%)
CalPERS Total Budget	<u>\$1,819,708</u>	<u>(\$12,108)</u>	<u>\$1,807,600</u>	<u>(0.7%)</u>
Total Positions	2,765.0	-	2,765.0	0.0%

¹ Investment operating expenses are not part of CalPERS Administrative Operating Costs and therefore not to be included in CalPERS pro-rata assessment

² Investment External Management Fees consist of both Base Fees 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 2015-16 Annual Budget. 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 provides an opportunity to review current financial information and adjust the authorized budget based on a more accurate 2015-16 forecast for the remainder of the fiscal year. 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 are able to be funded with existing resources.

ANALYSIS

The FY 2015-16 CalPERS Mid-Year Budget of \$1,807,600,000 represents a decrease of \$12,108,000 (-0.7 percent) from the FY 2015-16 CalPERS Annual Budget of \$1,819,708,000, due to the following proposed changes:

FY 2015-16 Mid-Year Budget	Dollars (in thousands)	Positions
Approved FY 2015-16 Annual Budget	\$ 1,819,708	2,765.0
Additions to FY 2015-16 Annual Budget:		
Employee Compensation and Staff Benefits Rate Changes	\$ 4,557	
Water Conservation Projects	181	
Total Additions	4,738	
SUBTOTAL	\$ 1,824,446	
Reductions to FY 2015-16 Annual Budget:		
Board Member Election	\$ (1,123)	
Salary Savings due to Vacancies	(2,283)	
Third Party Administrator Fees: Self-Funded Health Program [\$-15.0M] Long Term Care [\$1.7M]	(13,259)	
Water Conservation Projects Grant Received from Department of General Services	(181)	
Total Reductions	(16,846)	
Proposed FY 2015-16 Mid-Year Budget	\$ 1,807,600	2,765.0
Change from Annual Budget	(\$12,108)	
Percent Change	(0.7%)	

The attachment provides details and explanations for the FY 2015-16 Mid-Year Budget adjustments.

BENEFITS/RISKS

The approval of the proposed FY 2015-16 Mid-Year Budget will provide necessary funding to meet enterprise needs. It also reflects the anticipated adjustments necessary to more accurately reflect the forecasted costs for FY 2015-16 while still meeting the commitments contained in the original submission.

The risk of not approving the proposed Mid-Year Budget revisions includes potentially limiting the organization's ability to achieve the initiatives and meet the strategic goals and objectives of the enterprise as set out in the CalPERS 2015-17 business plan.

ATTACHMENTS

Attachment 1: Fiscal Year 2015-16 Mid-Year Budget Revisions

Attachment 2: Transmittal Letter

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