



Agenda Item 8a

February 17, 2016

ITEM NAME: CalPERS Budget Policy (First Reading)

PROGRAM: Financial Office

ITEM TYPE: Information

EXECUTIVE SUMMARY

The CalPERS Budget Policy is to ensure CalPERS budgeting practices are in accordance with responsible fiscal management for the allocation and utilization of resources to meet the organization's mission, vision and values.

As a financial plan, the budget's purpose is to promote the long-term economic sustainability and responsible resource allocation to meet the CalPERS' mission of providing and maintaining retirement and health security for its members.

STRATEGIC PLAN

Prior to constructing the budget, enterprise priorities are identified through the strategic and business planning process. The budget process consists of activities that encompass the development, implementation, and evaluation of a multi-year financial plan for the provision of services that allocate resources on the basis of identified goals. An effective budget process includes the following principles:

- Incorporates a long-term perspective,
- Establishes linkages to the CalPERS' Strategic Plan and its' organizational goals,
- Focuses budget decisions on results and outcomes,
- Involves and promotes effective communication throughout the budget process, and
- Maintains fiscal controls over the management of resources and operating efficiencies.

BACKGROUND

There are two formal budget processes during the fiscal year; the annual and mid-year. The budget processes reviews the organization's existing and new requests for resources required to meet CalPERS' mission, Strategic Plan, and Business Plan priorities.

The budget is made up of five budgetary funds: Operating, Enterprise Projects, Headquarters Building, Investment External Management Fees, and Third-Party Administrator Fees, that comprises the CalPERS' total budget.

The annual budget year is for the twelve month period from July 1st to June 30th.

ANALYSIS

During the budget process the division's operational budgets are reviewed to determine core operational budget needs to maintain current service levels. Additionally, divisions requiring additional resources for new services, initiatives and projects submit detailed formal budget request documents for review and prioritization during the budget process.

The proposed CalPERS annual budget is reviewed by the Finance and Administration Committee of the CalPERS Board for approval and adoption with an effective date of July 1st of the new fiscal year.

The approved CalPERS annual budget is revised mid-year to amend for board directed, critical, emergency, or unforeseen circumstances that arise after the start of the new fiscal year needed to be addressed and funded in the current year. The CalPERS Board approves and adopts the CalPERS mid-year budget with an effective date of January 1st in the current fiscal year.

BUDGET AND FISCAL IMPACTS

N/A

BENEFITS/RISKS

The benefit to the organization of establishing the CalPERS Budget Policy formalizes the budget process, establishes budgetary controls, manages available resources and aligns with the strategic plan to cultivate a high-performing, risk-intelligent, and innovative organization.

The risk to the organization of not establishing the CalPERS Budget Policy includes potential resource shortfalls that may inhibit the ability to achieve organizational goals, missed opportunity to achieve full cost savings, inability to deliver quality customer service and proactively monitor for compliance.

ATTACHMENTS

Attachment 1 – CalPERS Budget Policy

ROSE MCAULIFFE, Chief
Financial Planning Policy and Budgeting

CHERYL EASON
Chief Financial Officer