



Finance and Administration Committee Agenda Item 4f

April 18, 2017

Item Name: Semi-Annual Budget and Expenditure Report

Program: Financial Office

Item Type: Information Consent

Executive Summary

This report represents the CalPERS Semi-Annual Budget and Expenditure Report for Fiscal Year (FY) 2016-17. It provides six months of CalPERS budget and expenditure detail from July 1, 2016 through December 31, 2016.

As of December 31, 2016, \$646.9 million of \$1,788.5 million or 36.2 percent of the CalPERS Total Budget was expended, leaving a balance of \$1,141.6 million.

Strategic Plan

CalPERS 2012-2017 Strategic Plan, Goal B supports the agenda item: to cultivate a high-performing, risk intelligent and innovative organization by actively managing business risks with an enterprise-wide view.

Background

This agenda item is being presented to the Committee to provide updates and report on any issues related to the CalPERS budget and expenditures, as well as provide important financial information.

Highlights of the FY 2016-17 Budget include:

- Optimization of the myCalPERS system and ongoing knowledge transfer to realize increased operational efficiencies.
- Redesign of the Actuarial Valuation System to provide information that meets actuarial practices and supports new Governmental Accounting Standards Board (GASB) reporting requirements.
- Continued building of a sound Risk and Compliance program for CalPERS to enhance internal controls.
- Continued development and efforts for the security and protection of our members' data through the Security Roadmap project.
- Increased workload in the Customer Services and Support area specific to increased death benefits processing, GASB reporting, and audit responses.
- Implementation of an in-house Opportunistic Investment Program.

Analysis

The table below provides a summary of the budget and expenditure status for the various CalPERS budgets as of December 31, 2016.

Budget (Dollars in Thousands)	FY 2016-17 Annual Budget	FY 2016-17 Actual Expenditures thru 12-31-16	Percent Expended	Percent Expended (Previous Year)
Administrative Operating	\$455,771	\$197,090	43.2%	43.3%
Investment Operating	90,538	23,402	25.8%	27.3%
Investment External Mgmt	896,705	276,834	30.9%	24.0%
Third Party Administrator	272,809	135,189	49.6%	49.0%
Operating Costs Subtotal	\$1,715,823	\$632,514	36.9%	33.3%
Enterprise Projects	41,382	6,180	14.9%	20.6%
Headquarters Building	31,295	8,221	26.3%	33.0%
Total Budget	\$1,788,500	\$646,915	36.2%	33.0%

FY 2016-17 Budget and Expenditures

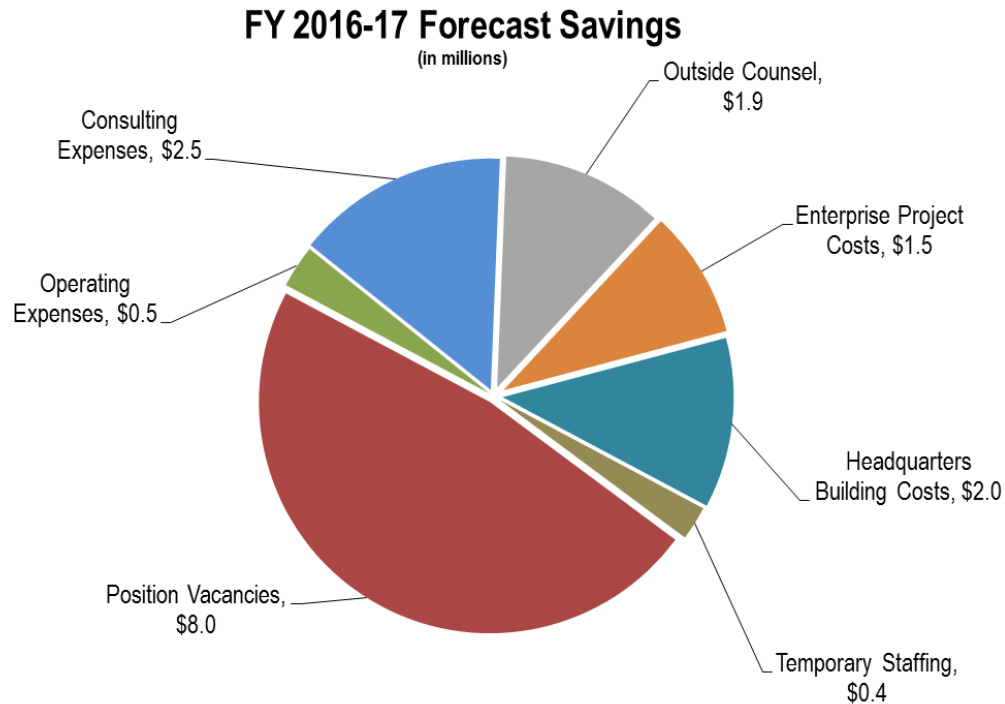
The CalPERS Total Budget expended \$646.9 million or 36.2 percent of budgeted expenditures which is an increase compared to 33.0 percent during the same period last fiscal year. Key points are as follows:

- Administrative Operating Costs percent expended is in line to where it was in the previous year.
- Investment Operating and Investment External Management base and performance fees are volatile and tend to fluctuate during the course of the fiscal year. Timing of performance fees payments are also a key indicator of over/under expenses.
- Third Party Administrator Fees are on target at this point in time in the fiscal year.
- Enterprise Projects percent expended is low at this time but is expected to accelerate as the year progresses. Further, during the FY 2016-17 Mid-Year process, the Enterprise Projects budget was reduced by \$3.6 million and an additional \$1.5 million in savings is forecasted.
- Headquarters Building Costs percent expended is lower than last year at this point in the fiscal year. Many of the major projects are still in progress and expenses will be reflected on the second half of the year. In addition, \$2.0 million in savings is forecasted.

FY 2016-17 Forecast to Budget

The current FY 2016-17 Forecast is \$1,770.0 million, a decrease of \$16.9 million or 0.9 percent from the FY 2016-17 Approved Mid-Year Budget of \$1,786.9 million. The majority of the savings in the Administrative Operating Costs come from position vacancies and reduction in temporary staffing, consulting expenses, outside counsel, and operating expenses (\$13.3 million).

Savings also include Enterprise Project Costs (\$1.5 million), and potential Headquarters Building savings based on the current expenditure trend (\$2.0 million).



Budget and Fiscal Impacts

This item is provided to the Committee for informational purposes and has no direct impact on the CalPERS Total Budget.

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