



Finance and Administration Committee Agenda Item 4e

April 17, 2018

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) 2017-18. It provides six months of CalPERS budget and expenditure detail from July 1, 2017 through December 31, 2017.

As of December 31, 2017, \$767.7 million or 45.8 percent of the CalPERS \$1,676.4 million Total Budget was expended, leaving a balance of \$908.7 million.

Strategic Plan

CalPERS 2017-22 Strategic Plan supports the agenda item: strengthening the long-term sustainability of the pension fund, reduce complexity across the enterprise, and cultivate a risk intelligent organization.

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 2017-18 Budget include:

- No new positions as the organization will continue to address resource needs through the realignment of existing positions and the implementation of an enterprise position pooling concept.
- Resources for the final year of the myCalPERS Business Optimization improvements to complete targeted initiatives and increase operational efficiencies.
- Continuation of the redesign of the Actuarial Valuation System (AVS) to provide information that meets actuarial practices and supports new Governmental Accounting Standards Board (GASB) reporting requirements.
- Ongoing Security Roadmap maintenance and operational efforts to protect and secure CalPERS member and employer data.
- Funding to procure a vendor to provide expanded data backup, restoration, and disaster recovery services.

Analysis

The table below provides a summary of the budget and expenditure status for the various CalPERS budgets as of December 31, 2017.

Budget (Dollars in Thousands)	FY 2017-18 Annual Budget	FY 2017-18 Actual Expenditures thru 12-31-17	Percent Expended	Percent Expended (Previous Year)
Administrative Operating	\$474,441	\$211,483	44.6%	43.2%
Investment Operating	91,236	27,076	29.7%	25.8%
Investment External Mgmt	777,518	375,033	48.2%	30.9%
Third Party Administrator	282,860	141,506	50.0%	49.6%
Operating Costs Subtotal	\$1,626,055	\$755,097	46.4%	36.9%
Enterprise Projects	23,302	3,634	15.6%	14.9%
Headquarters Building	27,046	9,016	33.3%	26.3%
Total Budget	\$1,676,403	\$767,747	45.8%	36.2%

Note: Numbers may not add exactly due to rounding of budget detail.

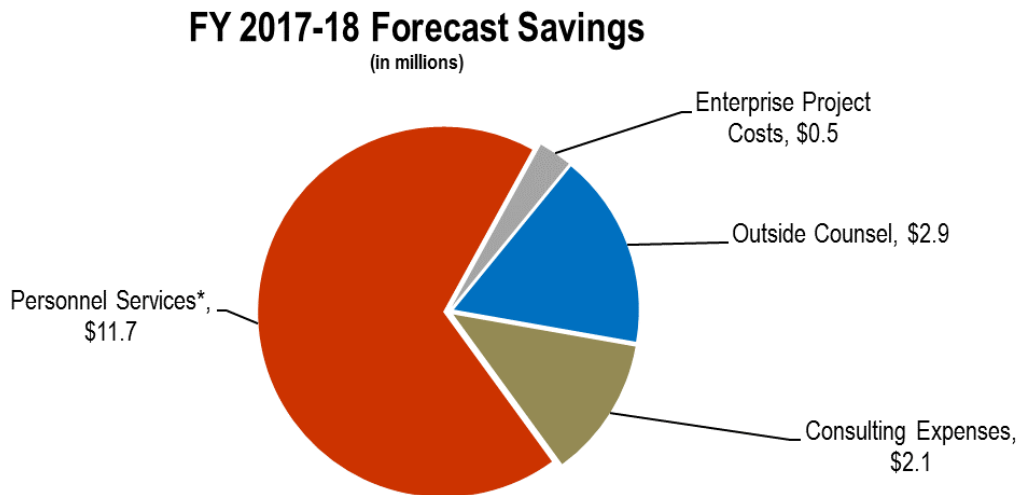
FY 2017-18 Budget and Expenditures

The CalPERS Total Budget expended \$767.7 million or 45.8 percent of budgeted expenditures which is an increase compared with 36.2 percent during the same period last fiscal year. Key points are as follows:

- The percent expended of the Administrative Operating Costs is similar to where it was in the previous year.
- Investment Operating and Investment External Management base along with performance fees are volatile and tend to fluctuate during the course of the fiscal year. Timing of fee 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 considered low, but is slightly higher than the same point in time last year; and it is expected to accelerate as the year progresses. Also, during the FY 2017-18 Mid-Year process, the Enterprise Projects budget was reduced by \$0.6 million and an additional \$0.5 million in savings is forecasted.
- Headquarters Building Costs percent expended is higher than last year at this point in the fiscal year. Various building improvement projects are still in progress and expenses will be reflected on the second half of the year.

FY 2017-18 Forecast to Budget

The current FY 2017-18 Forecast is estimated to be \$1,658.6 million, a decrease of \$17.2 million (1.0 percent) from the FY 2017-18 Approved Budget of \$1,675.9 million. The decrease is primarily attributed to (a) higher personnel services savings (\$11.7 million), (b) lower than anticipated outside counsel costs (\$2.9 million), (c) reduced consulting expenses (\$2.1 million), and (d) lower than anticipated enterprise project costs (\$0.5 million), primarily due to savings in the AVS Redesign Project.



*The forecasted savings as of June 30, 2018 is \$11.7 million. This does not reflect a savings of \$7.5 million applied during the mid-year process.

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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