



Finance and Administration Committee

Agenda Item 6b

November 14, 2018

Item Name: 2018-19 Mid-Year Budget Revisions (First Reading)

Program: Financial Office

Item Type: Action

Recommendation

Approve the CalPERS Fiscal Year (FY) 2018-19 Mid-Year Total Budget of \$1.7 billion and 2,875 positions.

Approve the transmittal of this agenda item to the Joint Legislative Budget Committee, fiscal committees of the Legislature, the State Controller, and the Department of Finance in accordance with the 2018 Budget Act, and to the Legislative Analyst’s Office, Government Operations Agency, and the Office of Legislative Counsel.

Executive Summary

The CalPERS proposed FY 2018-19 Mid-Year Budget totals \$1.7 billion representing an increase of \$17.5 million (1.0 percent) from the authorized FY 2018-19 Annual Budget of \$1.68 billion. The budget details are as follows:

Fiscal Year 2018-19 Mid-Year CalPERS Total Budget

(\$ in thousands)	FY 2018-19 Annual Budget	Mid-Year Adjustments	FY 2018-19 Proposed Mid-Year Budget	% Change From Annual
Administrative Operating Costs	\$497,557	\$550	\$498,107	0.1%
Investment Operating Costs ¹	93,421		93,421	0.0%
Investment External Management Fees ²	767,009		767,009	0.0%
Third Party Administrator Fees	288,686	16,926	305,612	5.9%
Subtotal: Operating Costs	\$1,646,672	\$17,476	\$1,664,149	1.1%
Enterprise Projects Costs	9,591		9,591	0.0%
Headquarters Building Costs	24,372		24,372	0.0%
CalPERS Total Budget	\$1,680,636	\$17,476	\$1,698,112	1.0%
Total Positions	2,875.0		2,875.0	0.0%

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

² Investment External Management Fees consist of both Base Fees and Performance Fees.

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

Strategic Plan

This agenda item supports CalPERS' 2017-22 Strategic Plan and the FY 2018-19 Business Plan. The financial office analyzes the fiscal needs of the organization to support the operational resources required to meet strategic goals and the business plan. Through the Mid-Year process, budget adjustments aid in addressing and mitigating budget risks to identify the funding levels necessary to meet operational requirements and the continued delivery of quality and efficient services to 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 2018-19 Annual Budget. The Mid-Year Budget process may also address new legislative mandates, compliance with new laws or regulations, or new Board initiatives. Further, the Mid-Year Budget process provides an opportunity to review current financial information and adjust the authorized budget based on a more accurate 2018-19 forecast for the remainder of the fiscal year.

Analysis

The FY 2018-19 CalPERS Mid-Year Budget of \$1.7 billion represents an increase of \$17.5 million (1.0 percent) from the FY 2018-19 CalPERS Annual Budget of \$1.68 billion due to the following proposed changes:

Mid-Year Budget Changes	Dollars (\$ in thousands)	Positions
Approved FY 2018-19 Annual Budget	\$1,680,636	2,875
Additions to FY 2018-19 Annual Budget:		
Statewide Salary and Staff Benefit Adjustments	\$550	
Third Party Administrator Fees		
Health Program	16,563	
Pharmacy Benefit Manager	358	
CERBT	6	
Total Third Party Administrator Fees	16,926	
Total Additions	17,476,400	
Proposed FY 2018-19 Mid-Year Budget	\$ 1,698,112	2,875
Percent Change	1.0%	

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

The attachment provides details and explanations for the FY 2018-19 Mid-Year Budget adjustments.

Budget and Fiscal Impacts

The FY 2018-19 Mid-Year Budget of \$1.7 billion represents an overall increase of \$17.5 million (1.0 percent) from the FY 2018-19 Annual Budget. Authorized Positions of 2,875 remain the same as in the annual budget process.

Benefits and Risks

Approval of the proposed FY 2018-19 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 2018-19 while still meeting the commitments contained in the original submission.

The risk of not approving the proposed Mid-Year Budget includes potentially limiting the organization's ability to achieve the initiatives, goals, and objectives set out in the CalPERS 2017-22 Strategic Plan.

Attachments

Attachment 1 – Fiscal Year 2018-19 Mid-Year Budget

Attachment 2 – Transmittal Letter

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