



Finance and Administration Committee

Agenda Item 7c

September 15, 2020

Item Name: Board 2020-21 Budget

Program: Board of Administration

Item Type: Information

Executive Summary

During the July 2020 offsite, CalPERS management informed the Board that due to the fiscal crisis caused by the COVID-19 pandemic, it re-analyzed its 2020-21 operating budget and will propose a reduced mid-year budget in November. Based on the discussion during the offsite, CalPERS added this item to review and discuss the Board’s budget to include any reductions in the November item.

Strategic Plan

This item supports the long-term sustainability of the pension fund by reducing expenditures.

Background

In April 2020, the Board adopted CalPERS’ 2020-21 Annual Budget, which includes nearly \$2.3 million to support Board activities. As displayed below, this includes funding for Board Services Unit (BSU) team members, Board Member salary reimbursements, office supplies and meeting expenses, conference fees, communications, travel, training, and consultants.

Board of Administration 2020-21 Budget		
		Description of Expense
Personal Services	\$ 1,378,370	Wages/benefits for 5.0 BSU positions and 1.0 Seasonal Clerk; includes \$620,000 for Board Member salary reimbursements
OE&E		
General Expense	150,000	Office supplies, conference fees, meeting/offsite expenses
Printing	500	Printed notices
Communications	17,000	Board member and BSU mobile devices
In-State Travel	128,000	Excludes conference fees
Out-of-State Travel	93,000	Includes international travel; excludes conference fees
Training	1,000	BSU team members
Employee Recognition	100	BSU team members
External Consultant	194,000	Court reporter and evaluation and compensation consultants
Outside Counsel	320,000	Independent legal and compensation consultants
Total OE&E	903,600	
Total	\$ 2,281,970	

Analysis

The Board's 2020-21 budget was developed in the Fall of 2019 based on prior-year expenditure data and assumptions for future resource needs and commitments. At this time, actual 2019-20 expenditure data is available, which, along with new assumptions driven by COVID-19 business impacts, may help inform budget reductions.

The Board's 2018-19 budget was \$2,161,000. Of this amount, \$1,843,000, or 85.3 percent, was expended. Funds unspent at year end totaled \$319,000, including \$134,000 in Personal Services for less-than-estimated Board Member reimbursements, and \$185,000 in Operating Expenses & Equipment (OE&E) driven by lower than estimated outside counsel charges.

The Board's 2019-20 budget was \$2,183,000. Of this amount, \$1,783,000, or 81.7 percent, was expended. Funds unspent at year end totaled \$400,368, including \$348,000 in Personal Services. Nearly half this amount was for less-than-estimated Board Member reimbursements, and the other half due to a formula error that incorrectly calculated retirement benefits on those reimbursements. This error was corrected in the 2020-21 Budget. There was also a net \$52,000 unspent in OE&E, including an \$82,000 surplus in General Expenses and a \$52,000 surplus in Out-of-State travel; both of which were likely driven by the COVID-19 pandemic. These surplus amounts were offset by a \$71,000 overage in External Consultants for a board evaluation not previously anticipated.

Budget and Fiscal Impacts

This item is presented for discussion and review of the Board's 2020-21 Budget to determine areas for potential reduction. CalPERS will integrate any Committee direction into the Mid-Year Budget that will appear on the November agenda.

Benefits and Risks

There are no known risks associated with this item.

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