

# 2020-21 Mid-Year Budget

Finance and Administration Committee

November 17, 2020

# Overview

- Total Mid-Year Reduction of \$72.3 million
  - \$68.5 million (9.9%) reduction in Operating Costs
  - \$3.9 million (0.4%) reduction in External Fees
  - Eliminating 32 vacant positions
- Operating reductions are driven by statewide compensation decreases resulting from the pandemic, and CalPERS-directed position and administrative reductions to achieve additional savings.
- Changes in External Fees reflect revised investment strategies and updated health plan enrollment projections.

# Total Mid-Year Budget

## 2020-21 Mid-Year Total Budget

(\$ in thousands)	2020-21 Authorized Annual Budget	Mid-Year Adjustments	2020-21 Proposed Mid-Year Budget	% Change From Annual
Administrative Operating Costs	\$545,782	(\$68,701)	\$477,081	(12.6%)
Investment Operating Costs	124,856	1,574	126,430	1.2%
Enterprise Projects Costs	-	-	-	0.0%
Headquarters Building Costs	24,338	(1,335)	23,003	(5.5%)
<b>Total: Operating Costs</b>	<b>\$694,976</b>	<b>(\$68,462)</b>	<b>\$626,514</b>	<b>(9.9%)</b>
Investment External Management Fees	685,906	6,187	692,093	0.9%
Third Party Administrator Fees	312,670	(10,047)	302,623	(3.2%)
<b>Total: Fees</b>	<b>\$998,575</b>	<b>(\$3,860)</b>	<b>\$994,716</b>	<b>(0.4%)</b>
<b>CalPERS Total Budget</b>	<b>\$1,693,551</b>	<b>(\$72,322)</b>	<b>\$1,621,230</b>	<b>(4.3%)</b>
<b>Total Positions</b>	<b>2,875.0</b>	<b>(32.0)</b>	<b>2,843.0</b>	<b>(1.1%)</b>

## Operating Costs

- \$68.7 million (12.6%) reduction in Administrative Operating Costs
  - \$52.1 million (12.3%) reduction in Personal Service Expenditures
  - \$16.6 million (13.6%) reduction in OE&E
- Personal Services reductions include:
  - Statewide compensation reductions (\$33.3 million decrease)
  - Collective bargaining adjustments (\$4.3 million decrease)
  - CalPERS-directed reductions (\$14.5 million decrease)
- OE&E decreases reflect both one-time and ongoing reductions

## Operating Costs (continued)

- \$1.6 million (1.2%) net increase in Investment Operating Costs
  - \$0.3 million decrease in Technology Consultants
  - \$0.1 million decrease in Trading and Portfolio Management Systems
  - \$2.0 million increase in Appraisal Fees
- \$1.3 million (5.5%) decrease in HQ Building Costs
  - \$0.8 million decrease in building Operating Costs
  - \$1.2 million decrease in Non-Operating Costs
  - \$0.7 million decrease in parking revenue

## External Fees

- Net decrease of \$3.8 million
- \$6.2 million (0.9%) increase in Opportunistic Strategy fees for new investment strategies
- \$10 million (3.2%) decrease in Third Party Administrator Fees driven by updated enrollment and revised contracts
  - \$9.1 million decrease in Health Program fees
  - \$0.9 million decrease in Long Term Care Program fees

## 2019-20 Year-End Expenditures

(in thousands)	2019-20 Authorized Budget	2019-20 Expenditures and Encumbrances	Percent Expended	Balance
Administrative Operating Costs	\$528,800	\$480,404	90.8%	\$48,395
Investment Operating Costs	120,436	93,260	77.4%	27,176
Enterprise Project Costs	3,116	2,656	85.3%	459
Headquarters Building Costs	24,374	21,666	88.9%	2,708
<b>Total: Operating Costs</b>	<b>\$676,725</b>	<b>\$597,986</b>	<b>88.4%</b>	<b>\$78,739</b>
Investment External Mgmt Fees	899,791	710,200	78.9%	189,591
Third Party Administrator Fees	321,661	306,043	95.1%	15,617
<b>Total: Fees</b>	<b>\$1,221,451</b>	<b>\$1,016,243</b>	<b>83.2%</b>	<b>\$205,208</b>
<b>CalPERS Total Budget to Expenditures</b>	<b>\$1,898,176</b>	<b>\$1,614,229</b>	<b>85.0%</b>	<b>\$283,947</b>