



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 6

MEETING DATE: March 21, 2018

SUBJECT: Semi-Annual Administrative Expense Report

SUBMITTED FOR: Consent Deliberation and Action Receive and File

RECOMMENDATION

Staff recommends that the Board approve the attached Semi-Annual Administrative Expense Report for the Six Months Ended December 31, 2017.

PURPOSE

The purpose of the Semi-Annual Administrative Expense Report is to provide the Board with information regarding the administrative expenses at mid-year along with a comparison to the Final Administrative Budget for Fiscal Year 2017-2018.

DISCUSSION

Total administrative expenses compared favorably with the Final Administrative Budget of \$9.018 million. Administrative expenses for the first half of the fiscal year were \$3.545 million, which is only 39.3% of the Final Administrative Budget at mid-year. Administrative expenses were \$0.077 million (-2.1%) lower than \$3.622 million incurred during the preceding six-month period ended June 30, 2017. This decrease was due to lower medical services costs, which may vary depending on the number and/or complexity of disability retirement applications. In addition, the County cost allocation for general overhead costs was budgeted to be less in the 2017-2018 fiscal year vs. the prior fiscal year.

SCERS operated well below the statutory administrative expense limit. The administrative expense limit is calculated based on the actuarial accrued liability (AAL), which is then compared with total administrative expenses less information technology (IT) costs. Based on SCERS' total AAL of \$10,680.998 million as of June 30, 2017, the calculated administrative expense limit of twenty-one hundredths of one percent (.21%) of AAL was \$22.430 million for the current fiscal year. Actual administrative expenses of \$3.544 million less IT costs of \$0.487 million were \$3.057 million. The administrative expense limit of \$22.430 million less administrative expenses excluding IT costs of \$3.057 million at mid-year leaves an excess of

\$19.372 million, which is only three hundredths of one percent (.03%) of AAL. SCERS continues to manage administrative expenses in a consistent and prudent manner.

BACKGROUND

In accordance with established Board policy, the Proposed Administrative Budget is to be adopted for the immediate succeeding fiscal year by June 30, and the Final Administrative Budget is to be adopted by August 31. Pursuant to Government Code Section 31580.2, the statutory limit for the budget year's administrative expenditures shall not exceed the greater of twenty-one hundredths of one percent (.21%) of the accrued actuarial liability of the retirement system or \$2 million as adjusted annually by a specified annual cost-of-living adjustment. This statutory limit excludes the costs of administration expenditures for computer software and hardware and computer technology consulting services. The Semi-Annual Summary of Administrative Expenses compares the expenses for the six-month period ended December 31, 2017 with the prior six-month period ended June 30, 2017 and with the Final Administrative Budget for Fiscal Year 2017-2018.

Administrative Expenses includes amounts associated with both administrative costs and IT costs which is consistent with the presentation of the audited financial statements. Information technology (IT) expenses for computer software, computer hardware, and computer technology consulting services in support of these computer products are not considered a cost of administration of the retirement system and are excluded from the calculation of the statutory limit of administrative expenses.

Capitalized Administrative Costs related to IT Modernization Program

The IT modernization program is a multi-phase, multi-year sequence of projects to implement a new pension administration system and investment accounting system. Beginning in the 2017-2018 fiscal year, certain costs related to the IT modernization program, which totaled \$0.332 million at mid-year, have been capitalized. Capitalized IT costs included consulting services, project management, and data conversion costs. Although these costs will be paid as incurred, only costs for activities in the preliminary project stage are expensed as incurred. Costs related to activities in the application stage will be capitalized and amortized over the useful life of the final product. Amortization of costs will begin once the product is ready for its intended use, which is expected to be in the 2021-2022 fiscal year.

ATTACHMENT

Semi-Annual Administrative Summary of Expenses Report for the Six Months Ended December 31, 2017

/S/

Kathryn T. Regalia
Chief Operations Officer

/S/

Eric Stern
Chief Executive Officer

**SACRAMENTO COUNTY EMPLOYEES'
RETIREMENT SYSTEM**
Semi-Annual Summary of Administrative Expenses
July 1, 2017 to December 31, 2017
(Dollar Amounts Expressed in Thousands)

BUDGET OBJECT	Administrative Expenses July 1 - Dec. 31, 2017	Administrative Expenses January 1 - June 30, 2017	Increase/ (Decrease) Compared to Prior Six Months	Percentage Change Compared to Prior Six Months	Final Administrative Budget FY 2017-2018	Percentage of Administrative Funding Expended
Budget Categories						
10 - Salaries & Benefits	\$2,119	\$2,100	\$19	0.9%	\$5,797	36.6%
20 - Services & Supplies	1,293	1,350	(57)	-4.2%	2,829	45.7%
30 - Other Charges	133	172	(39)	-22.7%	267	49.8%
Subtotal	3,545	3,622	(77)	-2.1%	8,893	39.9%
70 - Appropriation for Contingencies	-	-	-	-	125	-
Total Expenses	\$3,545	\$3,622	(\$77)	-2.1%	\$9,018	39.3%

Total Administrative Expenses from July 1, 2017 - December 31, 2017	\$3,545
Total Computer Software and Hardware and Computer Technology Consulting Services Cost (IT Costs)	487
Administrative Expenses Excluding IT Costs	\$3,058

Total Actuarial Accrued Liability of the Retirement System as of June 30, 2017 **\$10,680,998**

Budget Limit for Administrative Expenses is Twenty-one Hundredths of One Percent	0.21%	\$22,430
Less: Administrative Expenses Excluding IT Costs	0.03%	3,058
Budget Limit in Excess of Administrative Expenses Excluding IT Costs	0.18%	\$19,372

SACRAMENTO COUNTY EMPLOYEES'
RETIREMENT SYSTEM
Semi-Annual Summary of Administrative Expenses
July 1, 2017 to December 31, 2017
(Dollar Amounts Expressed in Thousands)

SUB- OBJECT	ACCOUNT TITLE	Administrative Expenses July 1 - Dec. 31, 2017	Final Administrative Budget FY 2017-2018	Percentage Expended
OBJECT 10 - SALARIES & BENEFITS				
10111000	Salaries & Wages-Regular Employees	\$1,183	\$3,595	32.9%
10112400	Salaries & Wages-Committee Members	4	5	80.0%
10113100	Salaries & Wages-Straight Time O/T	11	10	110.0%
10113200	Salaries & Wages-Time & One Half O/T	53	100	53.0%
10114100	Salaries & Wages-Premium Pay	26	85	30.6%
10114300	Allowances	3	3	100.0%
10115200	Terminal Pay	32	98	32.7%
10121000	Retirement-Normal & UAAL	246	550	44.7%
10121100	Retirement-1995/2003 POB Debt Service	113	225	50.2%
10121200	Retirement-2004 POB Debt Service	55	111	49.5%
10121300	Health Savings-Employer Cost	13	55	23.6%
10121400	401A Plan-Employer Cost	7	11	63.6%
10122000	OASDI-Employer Cost	120	296	40.5%
10123000	Group Insurance-Employer Cost	244	637	38.3%
10124000	Workers Compensation Ins-Emplr Cost	9	15	60.0%
10125000	Unemployment Ins-Employer Cost	-	1	0.0%
OBJECT TOTAL		2,119	5,797	36.6%
OBJECT 20 - SERVICES & SUPPLIES				
20200500	Advertising/Legal Notices	1	3	33.3%
20202200	Books/Periodicals Supply	-	3	0.0%
20202400	Periodicals & Subscriptions	2	4	50.0%
20202900	Business Conferences	16	40	40.0%
20203100	Business Travel	1	10	10.0%
20203500	Education & Training Services	2	15	13.3%
20203700	Employee Tuition Reimbursement	-	8	0.0%
20203800	Employee Recognition	9	9	100.0%
20203900	Employee Transportation	-	1	0.0%
20205100	Insurance-Liability	10	20	50.0%
20205200	Insurance-Fiduciary Liability	43	91	47.3%
20206100	Memberships	4	10	40.0%
20207600	Office Supplies	6	33	18.2%
20208100	Postage Services	3	10	30.0%
20208500	Printing Services	1	40	2.5%
20226100	Office Equipment Maintenance Services	-	5	0.0%
20226200	Office Equipment Maintenance Supplies	-	2	0.0%
20226400	Office Equipment Modular Furniture	1	12	8.3%
20227500	Rents/Leases-Equipment	7	25	28.0%
20244300	Medical Services	154	500	30.8%
20250200	Actuarial Services	44	131	33.6%
20252100	Temporary Clerical Services	26	40	65.0%
20253100	Legal Services	-	-	0.0%
20254100	Personnel Services	21	35	60.0%
20254110	Labor Relations Services	-	6	0.0%
20254400	Safety Program Services	-	1	0.0%
20256100	Reporting Services	144	200	72.0%
20256200	Transcribing Services	12	30	40.0%
20259100	Other Professional Services	231	200	115.5%
20259101	Information Technology Consultants	-	50	0.0%
20281200	Data Processing Supplies	8	50	16.0%
20281700	Election Services	-	-	0.0%
20283200	Interpreter Services	-	1	0.0%

SUB- OBJECT	ACCOUNT TITLE	Administrative Expenses July 1 - Dec. 31, 2017	Final Administrative Budget FY 2017-2018	Percentage Expended
20291000	Countywide IT Services	17	35	48.6%
20291100	Systems Development Services	69	165	41.8%
20291200	Systems Development Supplies	11	25	44.0%
20291300	Department Of Finance Services	100	250	40.0%
20291600	Wide Area Network	16	31	51.6%
20291700	Alarm Services	-	1	0.0%
20292100	GS-Printing Services	25	20	125.0%
20292200	GS-Mail/Postage Charges	47	150	31.3%
20292300	GS-Messenger Services	2	4	50.0%
20292500	GS-Purchasing Services	1	2	50.0%
20292700	GS-Warehousing Charges	-	2	0.0%
20292800	GS-Co Equip. Rental-Light Vehicles	-	3	0.0%
20294200	County Facility Use Charges	1	3	33.3%
20294300	Leased Property Use Charges	247	521	47.4%
20296200	Parking	3	11	27.3%
20298300	GS-Surplus Property Mgt	1	2	50.0%
20298700	GS-Telephone Usage	7	18	38.9%
20298900	GS-Telephone Installation	-	1	0.0%
	OBJECT 20 TOTAL	1,293	2,829	45.7%
OBJECT 30 - OTHER CHARGES				
30332000	Depreciation Expense	13	27	48.1%
30348000	Countywide Cost Allocation	120	240	50.0%
	OBJECT 30 TOTAL	133	267	49.8%
OBJECT 70 - CONTINGENCIES				
70790100	Appropriation For Contingencies	-	125	0.0%
	OBJECT 70 TOTAL	-	125	-
	TOTAL EXPENSES	\$3,545	\$9,018	39.3%