#### MEMORANDUM

April 15, 2010

TO:

Management and Fiscal Policy Committee

CHR

FROM:

Charles H. Sherer, Legislative Analyst

SUBJECT:

FY11 County retirement budgets: Employees' Retirement System (ERS), Retirement

Savings Plan (RSP), Deferred Compensation Plan (DCP), and FY11 County Retiree

Health Benefits Trust (RHBT)

Those expected to attend this worksession include:

Linda Herman, Executive Director, Board of Investment Trustees

Alex Espinosa, Lori J. O'Brien, OMB

Wes Girling, Employee Benefits Manager, OHR

Council staff recommends approval of the County expenses to administer the retirement plans and the retiree health benefits trust.

**Background** The Board of Investment Trustees is responsible for overseeing the investment programs and the Office of Human Resources oversees benefit administration for the County's three retirement plans and the trust established to fund retiree health benefits.

- 1. Employees' Retirement System (ERS):
  - a. defined benefit plan
  - b. cash balance Guaranteed Retirement Income Plan (GRIP) —guaranteed annual interest rate of 7.25%
- 2. Retirement Savings Plan (RSP) defined contribution plan
- 3. Deferred Compensation Plan (DCP) voluntary retirement plan
- 4. Retiree Health Benefits Trust (RHBT) trust established to fund the costs of retiree health benefits, referred to as "other post employment benefits" or OPEB

The Board of Investment Trustees incurs administrative expenses overseeing the investment programs and approves an annual budget. In addition, three County Government departments/offices provide administrative and accounting services to the plans and charge each of the plans for this support: County Attorney, Office of Human Resources (OHR) and Finance. The CAO approves the charges to the plans for the services from the three departments/offices every year.

The total administrative expenses of administering the plans is the sum of the Board's own expenses plus the charges from the three County Government departments/offices the CAO approved, as summarized in the tables below.

Additional information about the three plans is on ©A, followed by the Board of Investment Trustees' Annual Budget Review (©1).

The purpose of this discussion is to review the expenses related to the administration of the plans.

#### Overview

The table on ©A shows the following expenses by plan, from all sources: BIT, County Attorney, OHR and Finance.

At the request of Council staff, OMB and BIT staff provided data for the following table that summarizes the County expenses to administer the plans, by source of expense. These are the expenses the Committee is reviewing. The major changes are explained below.

	FY10 Budget	FY11 Request	\$ Change	% Change
Charges from Montgomery County Government:				
Human Resources	\$2,223,850	\$2,223,280	-\$570	0.0%
Finance	\$132,720	\$136,290	\$3,570	2.7%
County Attorney	\$90,290	\$93,420	\$3,130	3.5%
Subtotal, Montgomery County Government	\$2,446,860	\$2,452,990	\$6,130	0.3%
Board of Investment Trustees	\$1,391,300	\$1,343,300	-\$48,000	-3.5%
Total	\$3,838,160	\$3,796,290	-\$41,870	-1.1%

<u>Charges from Montgomery County Government</u> As the table shows, the changes are negligible, which OMB attributes to "small shifts in personnel costs."

<u>Board of Investment Trustees</u> As the Board's FY10/11 Annual Budget Review explains, "Preliminary FY 11 expenses for administration are projected at \$1,343,300, a decrease of 3.5%, or \$48,000, from the FY 10 approved budget level. Listed below are the primary changes in the FY 11 requested versus the FY 10 approved budget:

Salaries/benefits for additional 1.3 workyears, +\$190,000. BIT staff explained that "The increase is primarily due to adding one new position, an investment analyst, and increasing the hours of our part time compliance analyst/accountant from 4-6 hours per week to 20 per week. Both of the changes were approved by the Board due to the change in the Board's strategic asset allocation which resulted in adding several new asset classes, like commodities and hedge funds, and increasing the ERS' exposure to private equity and private real asset investments."
Renegotiation of recordkeeping cost with Fidelity reduction, (\$100,000).
Recordkeeping costs for the GRIP reduced due to lower # of employees electing to participate, (\$174,000).

PROPOSED OPERATING BUDGET DEFERRED COMPENSATION MANAGEMENT											
ITEM	FY09 ACT	FY10 APPR	FY10 EST	FY11 REC	\$ Change	% Change					
EXPENSES											
Salaries and Benefits	69,120	94,840	60,620	71,810	(23,030)	(24.3%)					
Professional Services	3,670	5,900	6,000	6,000	100	1.7%					
Due Diligence/Education	1,450	1,000	1,600	1,600	600	60.0%					
Office Management	5,300	7,110	6,110	6,210	(900)	(12.7%)					
Investment Management	25,190	20,900	20,900	21,700	800	3.8%					
TOTAL EXPENSES	\$104,730	\$129,750	\$95,230	\$107,320	(\$22,430)	(17.3%)					

Amounts shown above are not charged to the Deferred Compensation Plan trust but are instead appropriated and charged to the General Fund Compensation and Employee Benefits Adjustments Non-Departmental Account.

PROPOSED OPERATING BUDGET RETIREE HEALTH BENEFIT TRUST												
ITEM	FY09 ACT	FY10 APPR	FY10 EST	FY11 REC	\$ Change	% Change						
EXPENSES												
Salaries and Benefits	25,620	68,710	68,710	67,730	(980)	(1.4%)						
Professional Services	150,640	75,000	75,000	75,000	0	0.0%						
Office Management	0	1,700	1,700	1,700	0	0,0%						
Investment Management	24,720	60,000	50,000	100,000	40,000	66.7%						
TOTAL EXPENSES	\$200,980	\$205,410	\$195,410	\$244,430	\$174,410	84.9%						

PROP	OSED OPERATIN	IG BUDGET EN	PLOYEES' RET	REMENT SYSTI	EM	
	FY09	FY10	FY10	FY11	FY11 vs. FY10	Appr.
ПЕМ	ACTUAL	APPR	EST	REC	\$	%
REVENUE						
County Contributions	109,567,010	115,000,000	115,000,000	131,000,000	16,000,000	13.9%
Employee Contributions	18,244,980	18,900,000	18,900,000	18,000,000	(900,000)	(4.8%)
investment income	(417,660,190)	170,000,000	420,000,000	210,000,000	40,000,000	23.5%
Miscellaneous Income	1,804,990	720,000	480,000	550,000	(170,000)	(23.6%)
TOTAL REVENUE	(288,043,210)	304,620,000	554,380,000	359,550,000	54,930,000	18.0%
EXPENSES	100003-57-5					
OPERATING EXPENSES						
Retirement Benefits	169,286,410	180,700,000	176,700,000	190,700,000	10,000,000	5.5%
Investment Management	12,669,400	11,666,400	14,000,000	15,000,000	3,333,600	28.6%
SUBTOTAL	181,955,810	192,366,400	190,700,000	205,700,000	13,333,600	6.9%
ADMINISTRATIVE EXPENSES						
Salaries and Benefits	1,490,790	1,480,000	1,521,300	1,671,790	191,790	13.0%
Professional Services	729,830	958,930	858,930	829,930	(129,000)	(13.5%)
Benefit Processing	411,110	375,000	375,000	375,000	0	0.0%
Due Diligence/Education	30,680	53,500	47,500	53,500	0	0.0%
Office Management	193,980	251,030	254,030	258,030	7,000	2.8%
SUBTOTAL	2,856,390	3,118,460	3,056,760	3,188,250	69,790	2.2%
TOTAL EXPENSES	\$184,812,200	\$195,484,860	\$193,756,760.	\$208,888,250	\$13,403,390	6.9%
NET REVENUE	(\$472,855,410)	\$109,135,140	\$360,623,240	\$150,661,750	\$41,526,610	38.1%

PR	OPOSED OPERA	TING BUDGET	RETIREMENT S	AVINGS PLAN		
	F)/00	F7(40	F)/40		Change	
пем	FY09 ACTUAL	FY10 APPR	FY10 EST	FY11 REC	FY11 vs. FY10	Appr. %
UEN	ACTOAL	ACTIV	EG1	KEC	4	
REVENUE	Į					
Investment Income	12,440	12,000	13,000	11,000	(1,000)	(8.3%)
Miscellaneous Income	371,850	100,000	355,000	150,000	50,000	50.0%
TOTAL REVENUE	384,290	112,000	368,000	161,000	49,000	43.8%
EXPENSES						
OPERATING EXPENSES					•	,
Investment Management	25,190	20,900	20,900	21,700	800	3.8%
SUBTOTAL	25,190	20,900	20,900	21,700	800	3.8%
ADMINISTRATIVE EXPENSES						
Salaries and Benefits	127,900	185,220	153,780	165,050	(20,170)	(10.9%)
Professional Services	208,420	193,500	78,500	78,500	(115,000)	(59.4%)
Due Diligence/Education	1,250	2,000	2,600	2,600	600	30.0%
Office Management	37,630	25,230	24,030	24,030	(1,200)	(4.8%)
SUBTOTAL	375,200	405,950	258,910	270,180	(135,770)	(33.4%)
TOTAL EXPENSES	\$400,390	\$426,850	\$279,810	\$291,880	(\$134,970)	(31.6%)



Attachment – G 1/22/10

### **Board of Investment Trustees**

Annual Budget Review – FY10 Projected & FY11 Requested



Employees' Retirement System
Retirement Savings Plan
Deferred Compensation Plan
Retiree Health Benefits Trust

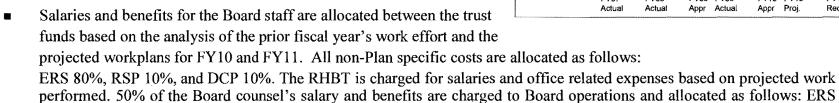
T	<b>Sable of Contents</b>	Page #
_	Overview	3
-	□ Fiscal Year 2009 Approved vs. Actual	5
	□ Fiscal Year 2010 Approved & Projected Expenditures	6
	□ Fiscal Year 2011 Requested	7
-	Employees' Retirement System	
	<ul> <li>Highlights Fiscal Year 2009 Approved vs. Actual</li> </ul>	8
	□ Fiscal Year 2010 Approved & Projected Expenditures	10
	■ Explanations & Assumptions	11
	□ Fiscal Year 2011 Requested	. 12
	■ Explanations & Assumptions	13
	Retirement Savings Plan	
	<ul> <li>Highlights Fiscal Year 2009 Approved vs. Actual</li> </ul>	14
	□ Fiscal Year 2010 Approved & Projected Expenditures	16
	■ Explanations & Assumptions	17
	□ Fiscal Year 2011 Requested	18
	■ Explanations & Assumptions	19
•	Deferred Compensation Plan	
	□ Highlights Fiscal Year 2009 Appropriated vs. Actual	20
	□ Fiscal Year 2010 Appropriated & Projected Expenditures	21
	□ Fiscal Year 2011 Requested	22
	Retiree Health Benefits Trust	
	<ul> <li>Highlights Fiscal Year 2009 Projected vs. Actual</li> </ul>	. 23
	□ Fiscal Year 2010 Approved & Fiscal Year 2011 Requested	24

### **Overview**

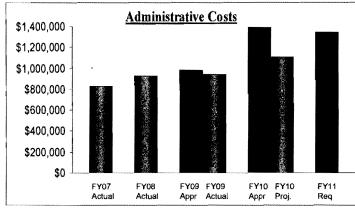
- The Board of Investment Trustees oversees the Board (BIT) related expenses, primarily investment management related expenses, for the:
  - □ Employees' Retirement System (ERS) defined benefit & cash balance plans (GRIP)
  - □ Retirement Savings Plan (RSP) defined contribution plan
  - □ Deferred Compensation Plan (DCP) 457 plan
  - Retiree Health Benefits Trust OPEB Trust

60%, RSP 20%, and DCP 20%.

During FY 09 actual Board related administrative costs for all Plans were
 4.0% lower than the approved combined budgets.



- Estimated FY 10 administrative expenses are projected to be 20% lower than the approved budget due to lower than anticipated recordkeeping costs for the RSP and GRIP and lower salary costs due to staff vacancies.
- Preliminary FY 11 expenses for administration are projected at \$1,343,300, a decrease of 3.5%, or \$48,000, from the FY 10 approved budget level. Listed below are the primary changes in the FY 11 requested versus the FY 10 approved budget:
  - □ Salaries/benefits for additional 1.3 workyears \$190,000
  - Renegotiation of recordkeeping cost with Fidelity reduction (\$100,000)
  - Recordkeeping costs for the GRIP reduced due to lower # of employees electing to participate (\$174,000)



### **Overview - Administrative Expenses (BIT Only)**

		FY07		Y07 FY 08		FY 09		FY 09		FY 10		FY 10		FY 11	
	-	<u>Actual</u>		Actual	<u>A</u>	pproved		Actual	A	<u>Approved</u>	F	rojected	<u>R</u>	equested	
Administrative Expenses						The second of the second of the second						- ,			
Salaries & Benefits	\$	571,267	\$	642,553	\$	649,000	\$	642,161	\$	795,000	\$	727,000	\$	985,000	
Professional Services		197,046		209,376		238,000		226,462		499,400		284,500		255,500	
Due Diligence/Education		20,187		28,452		45,000		32,209		42,000		37,200	The state of the s	43,200	
Office Management		40,172		47,440		47,300		38,956	in california de la calenda de	54,900		55,700	and any one of	59,600	
Total Administrative Exp	\$	828,672	\$	927,821	\$	979,300	\$	939,788	\$	1,391,300	\$	1,104,400	\$	1,343,300	

#### Assumptions/Considerations in construction of the FY 11 Requested Budget:

Salaries & Benefits

- reflects 6.5 workyears (5.2 workyears in FY10 approved budget) for Board staff, and 50% of county

attorney's salary and benefits.

**Professional Services** 

- decrease from FY10 approved amount due to renegotiated agreements with Fidelity and ING for

recordkeeping fees.

Due Diligence/Education

- increase from FY10 approved due to projected work efforts.

Office Management

- increase reflects costs of reference materials.

# Overview – FY 09 Approved vs. Actual

	<u>E</u>	RS	<u>R</u>	<u>SP</u>	<u>C</u>	RHBT	
	Approved	Actual	Approved	Actual	Appropriated	<u>Actual</u>	Actual
Operating Expenses	let 1) AND MATER MATERN AND AND A P		T	. All the section is a section from the desired state of section (		er a acceptance of the contract of Medical	To the state of th
Retirement Benefits	\$ 164,720,000	\$ 169,286,411	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Mgt. Fees	11,055,000	12,669,404	17,000	25,815	17,000	25,186	23,210
Total Operating Exp	175,775,000	181,955,815	17,000	25,815	17,000	25,186	23,210
Administrative Expenses		an . • we we .		कारण राज्यासम्बद्धाः ६ प्राण्यो क्षाः । च्या पणः ४ १ स्वर्गान्यसम्बद्धाः ॥ स्व		or commercial is not all actions to	
Salaries & Benefits	534,000	495,897	57,500	59,575	57,500	61,073	25,616
Professional Services	145,000	89,367	88,000	133,423	5,000	3,672	-
Due Diligence/Education	38,000	29,684	3,500	1,801	3,500	724	a pat is somewhater
Office Management	35,000	30,724	6,500	3,095	5,800	3,627	1,510
Total Administrative Exp	\$ 752,000	\$ 645,672	\$ 155,500	\$ 197,894	\$ 71,800	\$ 69,096	\$ 27,126

### Overview – FY 10 Approved vs. Projected Expenditures

	<u>ERS</u>		RSP		<u></u>	<u>)CP</u>	<u>RHBT</u>		
	Approved	Proj. Exp.	Approved	Proj. Exp.	Appropriated	Proj. Exp.	Approved	Proj. Exp.	
Operating Expenses			A	and the same of the second will be a second with the second secon					
Retirement Benefits	\$ 180,700,000	\$ 176,700,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Investment Mgt. Fees	11,196,400	14,000,000	20,900	20,900	20,900	20,900	60,000	50,000	
Total Operating Exp	191,896,400	190,700,000	20,900	20,900	20,900	20,900	60,000	50,000	
Administrative Expenses	SALTSHOOMSON LAS S		an our acceptions	\$ 15 MEN S SAL S MAS S - 1.1					
Salaries & Benefits	674,000	620,000	45,000	38,000	45,000	38,000	31,000	31,000	
Professional Services	315,000	215,000	180,000	65,000	4,400	4,500	-	-	
Due Diligence/Education	40,000	34,000	1,000	1,600	1,000	1,600	-	-	
Office Management	42,000	45,000	5,600	4,400	5,600	4,600	1,700	1,700	
Total Administrative Exp	\$ 1,071,000	\$ 914,000	\$ 231,600	\$ 109,000	\$ 56,000	\$ 48,700	\$ 32,700	\$ 32,700	

# Overview – FY10 Proj. Exp. vs. FY11 Requested

	EF	<u>RS</u>	RS	<u>SP</u>	DC	<u>CP</u>	RHBT	
	FY10 Proj.	FY11 Req	FY10 Proj.	FY11 Req	FY10 Proj.	FY11 Req	FY10 Proj.	FY11 Req
Operating Expenses Retirement Benefits	\$ 176,700,000	\$ 190,700,000	\$ -	\$ -	\$ -	\$ -		
Investment Mgt. Fees	14,000,000	15,000,000	20,900	21,700	20,900	21,700	50,000	100,000
Total Operating Exp	190,700,000	205,700,000	20,900	21,700	20,900	21,700	50,000	100,000
Administrative Expenses						and the same of the control of the c		
Salaries & Benefits	620,000	859,000	38,000	44,000	38,000	44,000	31,000	38,000
Professional Services	215,000	186,000	65,000	65,000	4,500	4,500	_	-
Due Diligence/Education	34,000	40,000	1,600	1,600	1,600	1,600	_	- Com
Office Management	45,000	49,000	4,400	4,400	4,600	4,700	1,700	1,500
Total Administrative Exp	\$ 914,000	\$ 1,134,000	\$ 109,000	\$ 115,000	\$ 48,700	\$ 54,800	\$ 32,700	\$ 39,500

# ERS - Highlights FY 2009 Approved vs. Actual

	. None control of the	Approved		Proj. Exp.	Laria 11 X 78 1 1770.	Actual	Variance* %	
Operating Revenues	9	The state of the s		emi s rissonidas etial 2 - 37 mille - Peur III rigues Mel	, ,,	4 10 10 10 10 10 10 10 10 10 10 10 10 10		
County Contribution	\$	110,000,000	\$	110,000,000	\$	109,567,014		
Employee Contributions	Page 1	17,500,000		18,000,000		18,244,976		
Investment Income		243,000,000		(415,000,000)		(417,660,190)		
Securities Lending	No. of the last of	800,000			novie" i	1,804,988	or a law or of a masses, abo	
Total Operating Revenues		371,300,000		(287,000,000)	Addition to the second	(288,043,212)		
Operating Expenses	THE COLUMN TWO IS NOT			* N * Mod Hot *	4.9-944, , (			
Retirement Benefits		164,720,000		165,700,000		169,286,411	2.8	
Investment Mgt Fees	- FPL-	11,055,000		9,178,000	a street	12,669,404	14.6	
Total Operating Expenses		175,775,000		174,878,000	g Va de V	181,955,815	3.5	
Administrative Expenses	and the same of th	المعارضة الم	1000 have also realised to .	wilders ( ) hosp or z () i readhann, and hybrid, an i shikke () i w		Aurolijas — unimer natim transferirans a var et sin aur bus andis nation	addicionale S. S. S. S. S. S. S. S. Malloc des additional des confidences and security and secur	
Salaries & Benefits		534,000		538,000		495,897	(7.1)	
Professional Services		145,000		105,000		89,367	(38.4)	
Due Diligence/Education		38,000	To the second se	35,000		29,684	(21.9)	
Office Management		35,000		37,000		30,724	(12.2)	
Total Adm Exp	\$	752,000	\$	715,000	\$	645,672	(14.1)	

<sup>\*</sup> Approved versus actual

### ERS-Explanations of Variances-FY 09 Appr vs. Actual

#### Revenues

- <u>County Contributions</u> actual contributions were on target based on the amount projected by the County's actuary.
- □ <u>Employee Contributions</u> actual contributions based on salary levels.
- □ <u>Investment Income</u> projections assumed an 8.0% return on investments. Actual gross investment return was a loss of 15.81%.
- Securities Lending Income income higher than projected due to greater demand.

#### Expenses

- <u>Investment Mgt. Fees</u> 14.6% actual fees were higher due to higher market values than projected and payments of performance based fees for last 6 months of FY09.
- □ Salaries & Benefits (7.1)% lower than projected due to staff vacancy.
- <u>Professional Services</u> (38.4)% actual fees for outside legal services were lower than the approved budget due to decreased use of outside legal counsel for private equity/real estate agreements.
- $\square$  <u>Due Diligence/Education</u> (21.9)% lower than anticipated due to staff vacancy.
- □ Office Management (12.2)% lower than anticipated.

### ERS - FY 2010 Approved & Projected Expenditures

. The first transfer of the second discount of the second		Approved		Proj. Exp.	Variance %
Operating Revenues	1	<del></del>			
County Contribution	\$	115,000,000	\$	115,000,000	THE STATE OF THE S
Employee Contributions		18,900,000		18,900,000	Age (South and Age (S
Investment Income		170,000,000	and the second of the second o	420,000,000	
Securities Lending		720,000	A CONTRACTOR OF THE CONTRACTOR	480,000	
Tl Operating Revenues	To the state of th	304,620,000	right to the control of the control	554,380,000	
Operating Exp		The second section of the second sections.	The Control of Control	Processor of Marian Andrewski (1984) and the second of the	
Retirement Benefits		180,700,000		176,700,000	(2.2)
Investment Mgt. Fees		11,196,400		14,000,000	25.0
Tl Operating Exp		191,896,400	The state of the s	190,700,000	(0.6)
Administrative Expenses	WC No. of color National Company	i i Salakoni Mar - May - y - y - y - y - y - y - y - y - y -	refresh - "	The state of the s	
Salaries & Benefits		674,000		620,000	(8.0)
Professional Services		315,000		215,000	(31.7)
Due Diligence/Education		40,000	4	34,000	(15.0)
Office Management	To the state of th	42,000		45,000	7.1
Tl Adm Expenses	\$	1,071,000	\$	914,000	(14.7)

## ERS - FY 2010 Proj. Exp.-Explanations & Assumptions

	<u>Category</u>	FY 10 Projected Exp.	% Chg
-	Investment Income	\$420,000,000	
	Assumes total return for the fu 2010 are:	and of 19% based on 4% gain from 12/31/09 asset	t level. Wilshire's return assumptions for
	• 7.50% – Equi	ities, domestic & international • 4.00%	– Global TIPS
	• 4.25% – Core		– Private Equity
	• 6.00% – High	Yield Bonds • 9.40%	- Private Real Assets
•	Securities Lending Income	\$480,000	
	<ul> <li>Income based on first six mon</li> </ul>	ths of FY10 level.	
•	Retirement Benefits	\$176,700,000	(2.2)%
	<ul> <li>Amount based on current level</li> </ul>	l of benefit payments and historical increase in m	umber of participants.
	Investment Mgt. Fees	\$14,000,000	25.0%
	<ul> <li>Amount based on investment r on contract amounts.</li> </ul>	eturn assumptions. Custodian bank, investment co	onsultants, and Bloomberg service based
•	Salaries & Benefits	\$620,000	(8.0)%
	□ Reflects 4.6 workyears (added	.3 workyear in FY10) and 60% of 50% of the Co	unty attorney's salary and benefits.
	Professional Services	\$215,000	(31.7)%
	□ Reflects anticipated use of out	side legal services for reviewing complex manage	er agreements.
•	Due Diligence/Education	\$34,000	(15.0)%
	<ul> <li>Based on projected work effor</li> </ul>	t.	
	Office Management	\$45,000	7.1%
	Reflects slightly higher office in	related expenses due to additional staff.	

### ERS - FY 2011 – Requested Budget

, a de <del>ann</del> a Se de l	FY	10 Proj. Exp.	FY	11 Requested	Variance %
Operating Revenues	and the second s			No.	
County Contribution	\$	115,000,000	\$	131,000,000	
Employee Contributions	30 Oils 300 S	18,900,000	1 20000	18,000,000	Production of Child Elicide Vision Alcohol Committee
Investment Income		420,000,000		210,000,000	New (1)
Securities Lending	And the second s	480,000	The state of the s	550,000	• • •
Total Operating Revenues	and the second of the second o	554,380,000		359,550,000	i dhe samistra i serie e e e e e e e e e e e e e e e e e e
Operating Expenses	or opposite the state of the st	199M V V V V V V V V V V V V V V V V V V	Management of the state of the		
Retirement Benefits		176,700,000		190,700,000	7.9
Investment Mgt. Fees		14,000,000		15,000,000	7.1
Total Operating Expenses	and the latest of the latest o	190,700,000		205,700,000	7.9
Administrative Expenses	34 11 3 1 14			E. Walter Son. and all the no. 1 TH. NO. Sections and Phil	The Address Deliverage and a second of the s
Salaries & Benefits		620,000		859,000	38.5
Professional Services		215,000		186,000	(13.5)
Due Diligence/Education		34,000		40,000	17.6
Office Management	And the second s	45,000		49,000	8.9
Total Administrative Exp	\$	914,000	\$	1,134,000	24.1

### ERS - FY 2011 - Explanations & Assumptions

#### FY 11 Requested

% Chg

	Investment	Income
--	------------	--------

#### \$210,000,000

Assumes 8% return on an estimated \$2.57B ending market value at 6/30/10. Wilshire's return assumptions for 2010 are:

- 7.50% Equities, domestic & international
- 4.25% Core Bonds
- 6.00% High Yield Bonds

- 4.00% Global TIPS
- 9.60% Private Equity
- 9.40% Private Real Assets

#### Securities Lending Income

\$550,000

Based on projected lending levels.

Retirement Benefits

\$190,700,000

7.9%

Amount based on the historical increase in the number of retirees and projected cost-of-living.

Investment Mgt. Fees

\$15,000,000

7.1%

- Amount based on investment return assumptions and projections of performance based fees. Custodian bank, investment consultant and Bloomberg service based on contractual amounts.
- Salaries & Benefits

\$859,000

38.5%

- □ Reflects approximately 5.7 workyears and 60% of 50% of the County attorney's salary and benefits.
- Professional Services

\$186,000

(13.5)%

- □ Includes recordkeeping fees for the GRIP and estimated use of outside legal to review of complex manager contracts.
- Due Diligence/Education

\$40,000

17.6%

- Amount based on projected work effort.
- Office Management

\$49,000

8.9%

Amount projected expenses.

### Retirement Savings Plan Highlights FY 2009 Approved vs. Actual

and the second of the second o	Approved	Proj. Exp.	Actual	Variance %
Operating Revenues				
Investment Income	24,000	\$ 16,000	\$ 12,435	
Misc. Income	300,000	300,000	371,852	, , , , , , , , , , , , , , , , , , ,
Total Operating Revenues	324,000	316,000	384,287	and Mana I and a second and a s
Operating Expenses	20 manuar — 1 — 10 manuar — 1 — 10 manuar — 10 — 10 manuar — 10 — 10 manuar — 10 — 10 — 10 manuar — 10 — 10 — 10 — 10 — 10 — 10 — 10 — 1	10 1 - 10 - 10 - 10 - 10 - 10 - 10 - 10	A see an anadometer that the deep growth or as the second of the second	9966 ; o:40 ; 6 s, 1 s an - 1 moore ; 4576,42 s,
Investment Mgt. Fees	17,000	20,300	25,185	48.1
Administrative Expenses		10 mm n pm n pp % n mm		And the second of the
Salaries & Benefits	57,500	57,500	59,575	3.6
Professional Services	88,000	94,400	133,423	51.6
Due Diligence/Education	3,500	1,500	1,801	(48.5)
Office Management	6,500	5,300	3,095	(52.4)
Total Administrative Exp	\$ 155,500	\$ 158,700	\$ 197,894	27.3

### Retirement Savings Plan FY 09 Explanations of Variances – Approved vs. Actual

#### Revenues

- □ <u>Investment Income</u> amount represents income earned on funds invested by the County.
- □ <u>Misc. Income</u> amount represents forfeiture of employer contribution and earnings from employees who terminate and are not vested. Forfeited amounts totaled \$371,852 in FY09.

#### Expenses

- ☐ <u>Investment Mgt. Fees</u> 48.1% reflects cost of additional study performed by investment consultant.
- □ Salaries & Benefits 3.6% slightly higher than projected.
- □ <u>Professional Services</u> 51.6% higher than approved budget due to use of investment counseling service by participants to evaluate participation in GRIP.
- □ <u>Due Diligence/Education</u> − (48.5)% − due diligence efforts and educational seminar attendance were lower than anticipated.
- $\Box$  <u>Office Management</u> (52.4)% general office expenses were lower due to implementation of cost cutting initiatives.

### Retirement Savings Plan FY 2010 Approved & Projected Expenditures

	FY10	) Approved	FY10 Proj. E	<u>xp.</u>	Variance %
Operating Revenues		works type Mon Tram I it was as a 1	Company of the Compan		
Investment Income	\$	12,000	\$ 13	3,000	A44 - 45
Misc. Income		100,000	355	5,000	and the property of the second
Tl Operating Revenues	Confidence in a statement of the confidence of t	112,000	368	3,000	
Operating Exp		mar er a tur vadi almand dimblera ( v. aldin.	ar unt e mantaño let defenten e Erdenaten uma	988 half or mean 1882. The cold of the 1894	t 10 Kanamattenia — a a dapta — t us comus is
Investment Mgt. Fees		20,900	20	),900	
Administrative Expenses	To and a ship of the state of t	er er er den samble i medlest skrivet omgeste o skele at britisket e	1. SHE'S I CHILL I HE OF PERSONNELS SHETCHES SHETCHES AND A SEMENT	Basar Madas d Paul Mark St. 1 as 100 au	Same and the same of the same of
Salaries & Benefits	The Month of Control	45,000	38	3,000	(15.6)
Professional Services		180,000	65	5,000	(63.9)
Due Diligence/Education		1,000	1	,600	60.0
Office Management	A CONTRACTOR OF THE CONTRACTOR	5,600	4	<u>,400</u>	(21.4)
Tl Adm Expenses	\$	231,600	109	0,000	(52.9)

### RSP-FY 2010 Proj. Exp. -Explanations & Assumptions

<b>Category</b>	FY 10 Proj. Exp.	% Chg
Investment Income	\$13,000	
<ul> <li>Assumes average fund be</li> </ul>	alance of \$300,000.	
Misc. Income	\$355,000	
	rojected forfeiture of employer o who terminate and are not veste	
Investment Mgt. Fees	\$20,900	.0%
□ Reflects fees for investme	ent consultant and Bloomberg.	
Salaries & Benefits	\$38,000	(15.6)%
□ Reflects .3 workyears, low	er than projected due to six mont	h vacancy.
Professional Services	\$65,000	(63.9)%
<ul> <li>Reflects anticipated decreated to employee transfers to the</li> </ul>	ase in the usage of the investment se GRIP.	counseling service due
Due Diligence/Education	\$1,600	60.0%
□ Based on projected work eff	fort.	
Office Management	\$4,400	(21.4)%
□ Reflects estimated office re	elated expenses.	,

# Retirement Savings Plan FY 2011 Requested

ners and an enter a mean part of the second	FY 10 F	Proj. Exp.	FY11 F	Requested	Variance %
Operating Revenues		ent isn' et s.DT was ga		81 1 KSK 1 F65 4 621	. G. Gelandi
Investment Income	\$	13,000	\$	11,000	
Misc. Income		355,000	wan A	150,000	to the second se
Total Operating Revenues	As about the	368,000	DAN 1 MEDITOR OF 1	161,000	Control of the contro
Operating Expenses		.,		Prophology   1 + E   S   + Holy   Carl   1   1   1   1   1   1   1   1   1	, s
Investment Mgt. Fees		20,900		21,700	3.8
Administrative Expenses				a Managada - ar - ar - thu- ar - thru ya - a ta al - a - a - a - a - a - a - a - a - a	9 Anni Niles
Salaries & Benefits	out of the same same same same same same same sam	38,000		44,000	15.8
Professional Services	grand and the state of the stat	65,000	. 7 30	65,000	0.0
Due Diligence/Education		1,600		1,600	0.0
Office Management	-	4,400	de Code our y Ford Monary	4,400	0.0
Total Administrative Exp		109,000	al and a grow Miller of No. 200	115,000	5.5

## RSP-FY 2011 Requested-Explanations & Assumptions

<u>Category</u>	FY 11 Requested %	<u>Chg</u>
<ul> <li>Investment Income</li> </ul>	\$11,000	
<ul> <li>Assumes average fund</li> </ul>	l balance of \$200,000.	
<ul><li>Misc. Income</li></ul>	\$150,000	
<ul> <li>Amount represents for on experience and pre</li> </ul>	feiture of employer contribution jected lower participation lev	ons and earnings based els due to the GRIP.
<ul><li>Investment Mgt. Fees</li></ul>	\$21,700	3.8%
<ul> <li>Reflects cost-of-living</li> </ul>	increase for investment consu	ltant's contract.
<ul> <li>Salaries &amp; Benefits</li> </ul>	\$44,000	15.8%
<ul> <li>Represents 0.4 work y and benefits.</li> </ul>	ears and 20% of 50% of the C	ounty attorney's salary
<ul> <li>Professional Services</li> </ul>	\$65,000	.0%
□ Amount reflects estima	ated use of investment counsel	ing service.
■ Due Diligence/Education	\$1,600	.0%
□ Amount based on proj	ected work effort.	
<ul> <li>Office Management</li> </ul>	\$4,400	.0%
□ Amount reflects office	related expenses.	

# Deferred Compensation Plan Highlights FY 2009 Appropriated vs. Actual

	App	ropriated	Actual	Variance %
Operating Expenses				
Investment Mgt Fees	\$	17,000	25,186	48.2
Administrative Expenses	general aggletica ("general consideration			inder, brosto i saturbinari della cossi i si su scoler i i si Pro adenti
Salaries & Benefits		57,500	61,073	6.2
Professional Services		5,000	3,672	(26.6)
Due Diligence/Education		3,500	724	(79.3)
Office Management	-	5,800	3,627	(37.5)
Total Administrative Exp	\$	71,800	\$ 69,096	(3.8)

#### Explanations of Variances

Investment Management Fees – 48.2% - reflects cost of additional study performed by investment consultant.

Salaries & Benefits – 6.2% – slightly higher than approved budget.

**Professional Services** – (26.6)% - lower than projected due to no outside legal costs being incurred. **Due Diligence/Education** – (79.3)% - due diligence efforts and educational seminar attendance was lower than anticipated.

*Office Management* – (37.5)% - general office expenses were lower due to implementation of cost cutting initiatives.

### Deferred Compensation Plan FY 2010 Appropriated & Projected Expenditures

gang pagang ang taon dan dan dan dan dan dan dan dan dan da	FY10 Ap	propriated	FY 10	Proj. Exp.	Variance %
Operating Expenses	0.000	a - a va 24 a va	A	A Combined C. L. This Address is the American	OR BINDINGS (MICH. 1997) 1 2 16 16 16 17 Edda on Robbinson (Mich. 1997)
Investment Mgt Fees	\$	20,900	\$	20,900	0.0
Administrative Expenses				SECTION OF THE PROPERTY OF THE	Marin Andrew Proc. 1 1 St. 175 Min.
Salaries & Benefits		45,000	in much had 9 7 7	38,000	(15.6)
Professional Services	***************************************	4,400		4,500	2.3
Due Diligence/Education	at some	1,000		1,600	60.0
Office Management		5,600		4,600	(17.9)
Total Administrative Exp	\$	56,000	\$	48,700	(13.0)

#### **Explanations of Variances**

Investment Mgt. Fees – .0% - fees for investment consultant and Bloomberg.

Salaries & Benefits – (15.6)% - represents .3 work years, lower than projected due to six month vacancy.

Professional Services - 2.3% - reflects increase in audit fees.

Due Diligence/Education - 60.0% - amount based on projected work effort.

Office Management – (17.9)% - projected office related expenses.

### Deferred Compensation Plan FY 10 Projected Expenditures vs. FY 11 Requested

t do smaller out of the field is the site of the same and address of sites.	FY10	Proj. Exp.	FY11	Requested	Variance %	
Operating Expenses			The second secon	t t veneral to 19 Jan	- Applied P	
Investment Mgt Fees	\$	20,900	\$	21,700	3.8	
and the second of the second o		e e su paragulitus en e		المناسبة معارضة الأولية ( ۱۹۳۲ معيد الله ال	a Herringen – a konstrujel na til svenske i vil er etter i treden s	
Administrative Expenses	According to the second	in the probability to the country that yes		africo e constrano e e com servicis con	glamente de sur sum sura trabhese Pedris su trons terrema	
Salaries & Benefits		38,000	1	44,000	15.8	
Professional Services		4,500		4,500	0.0	
Due Diligence/Education		1,600		1,600	0.0	
Office Management		4,600	a ru * vone r	4,700	2.2	
Total Administrative Exp	\$	48,700	\$	54,800	12.5	

#### **Explanations of Variances**

Investment Mgt. Fees – 3.8% - amount reflects cost of living adjustment for investment consultant contract.

Salaries & Benefits – 15.8% - Represents .4 of a work year and 20% of 50% of the County attorney's salary and benefits.

Professional Services - .0% - represents expected costs.

**Due Diligence/Education** – .0% – based on projected work effort.

Office Management – 2.2% - amount reflects office related expenses.

# Retiree Health Benefits Trust FY 2009 Projected vs. Actual

and the contract of the contra	Pı	rojected	Legendaries de la constante de	Actual	Variance %	
Operating Expenses	i de applique		To complete and co			
Investment Mgt Fees	\$	41,000	\$	23,210	(43.4)	
Administrative Expenses	Accession to the second	to his a control and desire the form	Rep Prings on Control of the Control	THE IN HOLDS FAR BY BOARD W. A. BARRANGE	and the second s	
Salaries & Benefits	The second section is a second	30,000		25,616	(14.6)	
Professional Services	Spanjan managaga a sagar	Addition in sign in the side of a 1 Med Block	Date Land Committee Committee	or at 1 dark No. 1. American de la American de la Constantidad de la C	No	
Due Diligence/Education	The second section is a second section in the second section in the second section is a second section in the second section in the second section is a second section in the second section in the second section is a second section in the second section in the second section is a second section in the second section in the second section is a second section in the second section in the second section is a second section in the second section in the second section is a second section in the second section in the second section is a second section in the second section in the second section is a second section in the second section in the second section is a second section in the second section in the second section is a second section in the second section in the second section is a second section in the second section in the second section is a second section in the second section in the second section is a second section in the second section in the second section is a second section in the second section in the second section is a second section in the second section in the second section is a second section in the second section in the second section is a second section in the second section in the second section is a section in the second section in the section is a section section in the section in the section is a section section in the section in the section is a section section in the section in the section is a section section in the section in the section is a section section in the section in the section is a section section in the section in the section is a section section in the section section in the section is a section section in the section section in the section section is a section section section in the section section section is a section	or direction of the second of		Halle of 7 de detaile of		
Office Management	A 1999 7 steel at	1,500		1,510	0.7	
Total Administrative Exp	\$	31,500	\$	27,126	(13.9)	

**Explanations of Variances** 

Investment Mgt. Fees -(43.4)% - fees were lower than anticipated. Salaries & Benefits -(14.6)% - Represents .1 of a work year. Office Management -0.7% - amount reflects office related expenses.

# Retiree Health Benefits Trust FY 2010 Projected vs. 2011 Requested

) Const. () A sender S. Ser. Maria (Maria )	FY10	Approved	FY10	<u>Proj. Exp.</u>	FY11	Requested	Variance %
Operating Expenses	A	- I despit I I	p. 44	· · · · · · · · · · · · · · · · · ·		A Company	W was a server of the No.
Investment Mgt Fees	\$	60,000	\$	50,000	\$	100,000	100.0
oda skama, raka da kana da kan B		al ERRORANIS (d. A. al.)	l g v	gan dan ing grap yang dan dan ing grap yang dan	्रं च्यान्त्रं सम्बद्धाः अस् ॥	Parpais Months of the Control of Marie of the Control of the Contr	w. b. co P. in delivera in the alloway in the
Administrative Expenses			. 69.11	to de Bromman I often nootherhead &	en auto en ellette da esta esta esta en al 1	and the state of t	Private Discounting Private Communication and Communication of the Section 1
Salaries & Benefits		31,000		31,000		38,000	22.6
Professional Services		-		-		-	-
Due Diligence/Education		-	1303	-		-	-
Office Management		1,700	2 · 4 · 4 · 4 · 4	1,700	Antonia	1,500	(11.8)
Total Administrative Exp	\$	32,700	\$	32,700	\$	39,500	20.8

### **Explanations of Variances**

Investment Mgt. Fees – 100% - reflects increased fees for addition of active investment management. Salaries & Benefits – 22.6% - estimate of staff time.

*Office Management* – (11.8)% - estimated office related expenses.