

MEMORANDUM

April 15, 2010

TO: Management and Fiscal Policy Committee
FROM: *CHS*
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%

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

Board of Investment Trustees 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%

PROPOSED OPERATING BUDGET EMPLOYEES' RETIREMENT SYSTEM						
ITEM	FY09 ACTUAL	FY10 APPR	FY10 EST	FY11 REC	FY11 vs. FY10 Appr.	
					\$	%
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						
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%

PROPOSED OPERATING BUDGET RETIREMENT SAVINGS PLAN						
ITEM	FY09 ACTUAL	FY10 APPR	FY10 EST	FY11 REC	Change: FY11 vs. FY10 Appr.	
					\$	%
REVENUE						
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%)

(A)

Board of Investment Trustees

Annual Budget Review – FY10 Projected & FY11 Requested



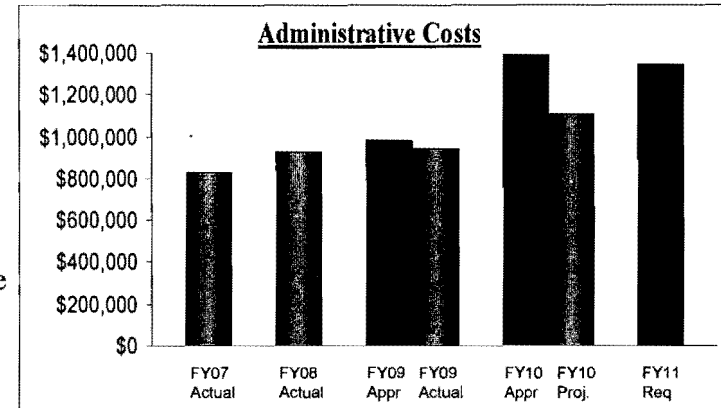
Employees' Retirement System
Retirement Savings Plan
Deferred Compensation Plan
Retiree Health Benefits Trust

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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
- During FY 09 actual Board related administrative costs for all Plans were 4.0% lower than the approved combined budgets.
- Salaries and benefits for the Board staff are allocated between the trust funds based on the analysis of the prior fiscal year's work effort and the projected workplans for FY10 and FY11. All non-Plan specific costs are allocated as follows:
ERS 80%, RSP 10%, and DCP 10%. The RHBT is charged for salaries and office related expenses based on projected work performed. 50% of the Board counsel's salary and benefits are charged to Board operations and allocated as follows: ERS 60%, RSP 20%, and DCP 20%.
- 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)

	<u>FY07 Actual</u>	<u>FY 08 Actual</u>	<u>FY 09 Approved</u>	<u>FY 09 Actual</u>	<u>FY 10 Approved</u>	<u>FY 10 Projected</u>	<u>FY 11 Requested</u>
<i>Administrative Expenses</i>							
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	43,200
Office Management	40,172	47,440	47,300	38,956	54,900	55,700	59,600
<i>Total Administrative Exp</i>	\$ 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>ERS</u>		<u>RSP</u>		<u>DCP</u>	<u>RHBT</u>	
	<u>Approved</u>	<u>Actual</u>	<u>Approved</u>	<u>Actual</u>	<u>Appropriated</u>	<u>Actual</u>	<u>Actual</u>
<i>Operating Expenses</i>							
Retirement Benefits	\$ 164,720,000	\$ 169,286,411	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Mgt. Fees	<u>11,055,000</u>	<u>12,669,404</u>	<u>17,000</u>	<u>25,815</u>	<u>17,000</u>	<u>25,186</u>	<u>23,210</u>
<i>Total Operating Exp</i>	175,775,000	181,955,815	17,000	25,815	17,000	25,186	23,210
<i>Administrative Expenses</i>							
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	-
Office Management	<u>35,000</u>	<u>30,724</u>	<u>6,500</u>	<u>3,095</u>	<u>5,800</u>	<u>3,627</u>	<u>1,510</u>
<i>Total Administrative Exp</i>	\$ 752,000	\$ 645,672	\$ 155,500	\$ 197,894	\$ 71,800	\$ 69,096	\$ 27,126

Overview – FY 10 Approved vs. Projected Expenditures

	<u>ERS</u>		<u>RSP</u>		<u>DCP</u>		<u>RHBT</u>	
	<u>Approved</u>	<u>Proj. Exp.</u>	<u>Approved</u>	<u>Proj. Exp.</u>	<u>Appropriated</u>	<u>Proj. Exp.</u>	<u>Approved</u>	<u>Proj. Exp.</u>
<i>Operating Expenses</i>								
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
<i>Total Operating Exp</i>	191,896,400	190,700,000	20,900	20,900	20,900	20,900	60,000	50,000
<i>Administrative Expenses</i>								
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
<i>Total Administrative Exp</i>	\$ 1,071,000	\$ 914,000	\$ 231,600	\$ 109,000	\$ 56,000	\$ 48,700	\$ 32,700	\$ 32,700

Overview – FY10 Proj. Exp. vs. FY11 Requested

	<u>ERS</u>		<u>RSP</u>		<u>DCP</u>		<u>RHBT</u>	
	<u>FY10 Proj.</u>	<u>FY11 Req</u>	<u>FY10 Proj.</u>	<u>FY11 Req</u>	<u>FY10 Proj.</u>	<u>FY11 Req</u>	<u>FY10 Proj.</u>	<u>FY11 Req</u>
<i>Operating Expenses</i>								
Retirement Benefits	\$ 176,700,000	\$ 190,700,000	\$ -	\$ -	\$ -	\$ -		
Investment Mgt. Fees	<u>14,000,000</u>	<u>15,000,000</u>	<u>20,900</u>	<u>21,700</u>	<u>20,900</u>	<u>21,700</u>	<u>50,000</u>	<u>100,000</u>
<i>Total Operating Exp</i>	190,700,000	205,700,000	20,900	21,700	20,900	21,700	50,000	100,000
<i>Administrative Expenses</i>								
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	-	-
Office Management	<u>45,000</u>	<u>49,000</u>	<u>4,400</u>	<u>4,400</u>	<u>4,600</u>	<u>4,700</u>	<u>1,700</u>	<u>1,500</u>
<i>Total Administrative Exp</i>	\$ 914,000	\$ 1,134,000	\$ 109,000	\$ 115,000	\$ 48,700	\$ 54,800	\$ 32,700	\$ 39,500

ERS - Highlights FY 2009 Approved vs. Actual

	<u>Approved</u>	<u>Proj. Exp.</u>	<u>Actual</u>	<u>Variance* %</u>
<i>Operating Revenues</i>				
County Contribution	\$ 110,000,000	\$ 110,000,000	\$ 109,567,014	
Employee Contributions	17,500,000	18,000,000	18,244,976	
Investment Income	243,000,000	(415,000,000)	(417,660,190)	
Securities Lending	800,000	-	1,804,988	
<i>Total Operating Revenues</i>	371,300,000	(287,000,000)	(288,043,212)	
<i>Operating Expenses</i>				
Retirement Benefits	164,720,000	165,700,000	169,286,411	2.8
Investment Mgt Fees	11,055,000	9,178,000	12,669,404	14.6
<i>Total Operating Expenses</i>	175,775,000	174,878,000	181,955,815	3.5
<i>Administrative Expenses</i>				
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	35,000	29,684	(21.9)
Office Management	35,000	37,000	30,724	(12.2)
<i>Total Adm Exp</i>	\$ 752,000	\$ 715,000	\$ 645,672	(14.1)

* Approved versus actual

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

■ **Revenues**

- County Contributions – actual contributions were on target based on the amount projected by the County's actuary.
- Employee Contributions – actual contributions based on salary levels.
- Investment Income – 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**

- Investment Mgt. Fees – 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.
- Professional Services – (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.
- Due Diligence/Education – (21.9)% - lower than anticipated due to staff vacancy.
- Office Management – (12.2)% - lower than anticipated.

ERS - FY 2010 Approved & Projected Expenditures

	<u>Approved</u>	<u>Proj. Exp.</u>	<u>Variance %</u>
<i>Operating Revenues</i>			
County Contribution	\$ 115,000,000	\$ 115,000,000	
Employee Contributions	18,900,000	18,900,000	
Investment Income	170,000,000	420,000,000	
Securities Lending	720,000	480,000	
<i>Tl Operating Revenues</i>	304,620,000	554,380,000	
<i>Operating Exp</i>			
Retirement Benefits	180,700,000	176,700,000	(2.2)
Investment Mgt. Fees	11,196,400	14,000,000	25.0
<i>Tl Operating Exp</i>	191,896,400	190,700,000	(0.6)
<i>Administrative Expenses</i>			
Salaries & Benefits	674,000	620,000	(8.0)
Professional Services	315,000	215,000	(31.7)
Due Diligence/Education	40,000	34,000	(15.0)
Office Management	42,000	45,000	7.1
<i>Tl Adm Expenses</i>	\$ 1,071,000	\$ 914,000	(14.7)

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

<u>Category</u>	<u>FY 10 Projected Exp.</u>	<u>% Chg</u>
■ Investment Income	\$420,000,000	
□ Assumes total return for the fund of 19% based on 4% gain from 12/31/09 asset level. Wilshire's return assumptions for 2010 are:		
• 7.50% – Equities, domestic & international		• 4.00% – Global TIPS
• 4.25% – Core Bonds		• 9.60% – Private Equity
• 6.00% – High Yield Bonds		• 9.40% – Private Real Assets
■ Securities Lending Income	\$480,000	
□ Income based on first six months of FY10 level.		
■ Retirement Benefits	\$176,700,000	(2.2)%
□ Amount based on current level of benefit payments and historical increase in number of participants.		
■ Investment Mgt. Fees	\$14,000,000	25.0%
□ Amount based on investment return assumptions. Custodian bank, investment consultants, and Bloomberg service based on contract amounts.		
■ Salaries & Benefits	\$620,000	(8.0)%
□ Reflects 4.6 workyears (added .3 workyear in FY10) and 60% of 50% of the County attorney's salary and benefits.		
■ Professional Services	\$215,000	(31.7)%
□ Reflects anticipated use of outside legal services for reviewing complex manager agreements.		
■ Due Diligence/Education	\$34,000	(15.0)%
□ Based on projected work effort.		
■ Office Management	\$45,000	7.1%
□ Reflects slightly higher office related expenses due to additional staff.		

ERS - FY 2011 – Requested Budget

	<u>FY10 Proj. Exp.</u>	<u>FY11 Requested</u>	<u>Variance %</u>
<i>Operating Revenues</i>			
County Contribution	\$ 115,000,000	\$ 131,000,000	
Employee Contributions	18,900,000	18,000,000	
Investment Income	420,000,000	210,000,000	
Securities Lending	480,000	550,000	
<i>Total Operating Revenues</i>	554,380,000	359,550,000	
<i>Operating Expenses</i>			
Retirement Benefits	176,700,000	190,700,000	7.9
Investment Mgt. Fees	14,000,000	15,000,000	7.1
<i>Total Operating Expenses</i>	190,700,000	205,700,000	7.9
<i>Administrative Expenses</i>			
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	45,000	49,000	8.9
<i>Total Administrative Exp</i>	\$ 914,000	\$ 1,134,000	24.1

ERS - FY 2011 - Explanations & Assumptions

<u>Category</u>	<u>FY 11 Requested</u>	<u>% Chg</u>
■ Investment Income	\$210,000,000	
<i>Assumes 8% return on an estimated \$2.57B ending market value at 6/30/10. Wilshire's return assumptions for 2010 are:</i>		
<ul style="list-style-type: none"> • 7.50% – Equities, domestic & international • 4.25% – Core Bonds • 6.00% – High Yield Bonds 		<ul style="list-style-type: none"> • 4.00% – Global TIPS • 9.60% – Private Equity • 9.40% – Private Real Assets
■ Securities Lending Income	\$550,000	
□ <i>Based on projected lending levels.</i>		
■ Retirement Benefits	\$190,700,000	7.9%
□ <i>Amount based on the historical increase in the number of retirees and projected cost-of-living.</i>		
■ Investment Mgt. Fees	\$15,000,000	7.1%
□ <i>Amount based on investment return assumptions and projections of performance based fees. Custodian bank, investment consultant and Bloomberg service based on contractual amounts.</i>		
■ Salaries & Benefits	\$859,000	38.5%
□ <i>Reflects approximately 5.7 workyears and 60% of 50% of the County attorney's salary and benefits.</i>		
■ Professional Services	\$186,000	(13.5)%
□ <i>Includes recordkeeping fees for the GRIP and estimated use of outside legal to review of complex manager contracts.</i>		
■ Due Diligence/Education	\$40,000	17.6%
□ <i>Amount based on projected work effort.</i>		
■ Office Management	\$49,000	8.9%
□ <i>Amount projected expenses.</i>		

Retirement Savings Plan

Highlights FY 2009 Approved vs. Actual

	<u>Approved</u>	<u>Proj. Exp.</u>	<u>Actual</u>	<u>Variance %</u>
<i>Operating Revenues</i>				
Investment Income	24,000	\$ 16,000	\$ 12,435	
Misc. Income	<u>300,000</u>	<u>300,000</u>	<u>371,852</u>	
<i>Total Operating Revenues</i>	324,000	316,000	384,287	
<i>Operating Expenses</i>				
Investment Mgt. Fees	17,000	20,300	25,185	48.1
<i>Administrative Expenses</i>				
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	<u>6,500</u>	<u>5,300</u>	<u>3,095</u>	(52.4)
<i>Total Administrative Exp</i>	\$ 155,500	\$ 158,700	\$ 197,894	27.3

Retirement Savings Plan FY 09

Explanations of Variances – Approved vs. Actual

■ **Revenues**

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

■ **Expenses**

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

Retirement Savings Plan

FY 2010 Approved & Projected Expenditures

	<u>FY10 Approved</u>	<u>FY10 Proj. Exp.</u>	<u>Variance %</u>
<i>Operating Revenues</i>			
Investment Income	\$ 12,000	\$ 13,000	
Misc. Income	100,000	355,000	
<i>Tl Operating Revenues</i>	112,000	368,000	
<i>Operating Exp</i>			
Investment Mgt. Fees	20,900	20,900	
<i>Administrative Expenses</i>			
Salaries & Benefits	45,000	38,000	(15.6)
Professional Services	180,000	65,000	(63.9)
Due Diligence/Education	1,000	1,600	60.0
Office Management	5,600	4,400	(21.4)
<i>Tl Adm Expenses</i>	\$ 231,600	109,000	(52.9)

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

<u>Category</u>	<u>FY 10 Proj. Exp.</u>	<u>% Chg</u>
■ <i>Investment Income</i>	<i>\$13,000</i>	
□ <i>Assumes average fund balance of \$300,000.</i>		
■ <i>Misc. Income</i>	<i>\$355,000</i>	
□ <i>Amount represents the projected forfeiture of employer contributions and earnings for employees who terminate and are not vested.</i>		
■ <i>Investment Mgt. Fees</i>	<i>\$20,900</i>	<i>.0%</i>
□ <i>Reflects fees for investment consultant and Bloomberg.</i>		
■ <i>Salaries & Benefits</i>	<i>\$38,000</i>	<i>(15.6)%</i>
□ <i>Reflects .3 workyears, lower than projected due to six month vacancy.</i>		
■ <i>Professional Services</i>	<i>\$65,000</i>	<i>(63.9)%</i>
□ <i>Reflects anticipated decrease in the usage of the investment counseling service due to employee transfers to the GRIP.</i>		
■ <i>Due Diligence/Education</i>	<i>\$1,600</i>	<i>60.0%</i>
□ <i>Based on projected work effort .</i>		
■ <i>Office Management</i>	<i>\$4,400</i>	<i>(21.4)%</i>
□ <i>Reflects estimated office related expenses.</i>		

Retirement Savings Plan

FY 2011 Requested

	<u>FY 10 Proj. Exp.</u>	<u>FY11 Requested</u>	<u>Variance %</u>
<i>Operating Revenues</i>			
Investment Income	\$ 13,000	\$ 11,000	
Misc. Income	355,000	150,000	
<i>Total Operating Revenues</i>	368,000	161,000	
<i>Operating Expenses</i>			
Investment Mgt. Fees	20,900	21,700	3.8
<i>Administrative Expenses</i>			
Salaries & Benefits	38,000	44,000	15.8
Professional Services	65,000	65,000	0.0
Due Diligence/Education	1,600	1,600	0.0
Office Management	4,400	4,400	0.0
<i>Total Administrative Exp</i>	109,000	115,000	5.5

RSP-FY 2011 Requested-Explanations & Assumptions

<u>Category</u>	<u>FY 11 Requested</u>	<u>% Chg</u>
■ Investment Income	\$11,000	
□ <i>Assumes average fund balance of \$200,000.</i>		
■ Misc. Income	\$150,000	
□ <i>Amount represents forfeiture of employer contributions and earnings based on experience and projected lower participation levels due to the GRIP.</i>		
■ Investment Mgt. Fees	\$21,700	3.8%
□ <i>Reflects cost-of-living increase for investment consultant's contract.</i>		
■ Salaries & Benefits	\$44,000	15.8%
□ <i>Represents 0.4 work years and 20% of 50% of the County attorney's salary and benefits.</i>		
■ Professional Services	\$65,000	.0%
□ <i>Amount reflects estimated use of investment counseling service.</i>		
■ Due Diligence/Education	\$1,600	.0%
□ <i>Amount based on projected work effort.</i>		
■ Office Management	\$4,400	.0%
□ <i>Amount reflects office related expenses.</i>		

Deferred Compensation Plan

Highlights FY 2009 Appropriated vs. Actual

	Appropriated	Actual	Variance %
<i>Operating Expenses</i>			
Investment Mgt Fees	\$ 17,000	25,186	48.2
<i>Administrative Expenses</i>			
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)
<i>Total Administrative Exp</i>	\$ 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

	<u>FY10 Appropriated</u>	<u>FY 10 Proj. Exp.</u>	<u>Variance %</u>
<i>Operating Expenses</i>			
Investment Mgt Fees	\$ 20,900	\$ 20,900	0.0
<i>Administrative Expenses</i>			
Salaries & Benefits	45,000	38,000	(15.6)
Professional Services	4,400	4,500	2.3
Due Diligence/Education	1,000	1,600	60.0
Office Management	5,600	4,600	(17.9)
<i>Total Administrative Exp</i>	\$ 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

	<u>FY10 Proj. Exp.</u>	<u>FY11 Requested</u>	<u>Variance %</u>
<i>Operating Expenses</i>			
Investment Mgt Fees	\$ 20,900	\$ 21,700	3.8
<i>Administrative Expenses</i>			
Salaries & Benefits	38,000	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	4,700	2.2
<i>Total Administrative Exp</i>	\$ 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

	Projected	Actual	Variance %
<i>Operating Expenses</i>			
Investment Mgt Fees	\$ 41,000	\$ 23,210	(43.4)
<i>Administrative Expenses</i>			
Salaries & Benefits	30,000	25,616	(14.6)
Professional Services	-	-	
Due Diligence/Education	-	-	
Office Management	1,500	1,510	0.7
<i>Total Administrative Exp</i>	\$ 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

	<u>FY10 Approved</u>	<u>FY10 Proj. Exp.</u>	<u>FY11 Requested</u>	<u>Variance %</u>
<i>Operating Expenses</i>				
Investment Mgt Fees	\$ 60,000	\$ 50,000	\$ 100,000	100.0
<i>Administrative Expenses</i>				
Salaries & Benefits	31,000	31,000	38,000	22.6
Professional Services	-	-	-	-
Due Diligence/Education	-	-	-	-
Office Management	1,700	1,700	1,500	(11.8)
<i>Total Administrative Exp</i>	\$ 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.